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FINANCIAL TIMES

Europe's Business Newspaper
WEDNESDAY MAY 5 1993
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Japanese banks step up action to rescue Kumagai

THE Long-term Credit Bank of Japan will send the head of its London branch back to Tokyo to oversee the restructuring of international operations at Kumagai Gumi, the Japanese contractor and property developer, burdened by about Y700bn ($6.3bn) of debt. The move follows the transfer of a Sumitomo Bank executive to assist in the restructuring of Kumagai's domestic operations. Page 15

Italian Socialist's call: The break-up and realignment of Italy's traditional political parties came closer after an appeal from Socialist leader Giorgio Benvenuto, who wants to create a new leftwing party with a fresh symbol. He said he would otherwise resign. Page 14; New Bank of Italy governor, Page 2

Japanese killed in ambush: Japanese prime minister Kiichi Miyazawa has called a ministerial meeting today to review the intensifying conflict in Cambodia, where the ambush of a United Nations convoy led to the death of a Japanese police officer and the wounding of three others. Page 14

Old-world Danube sanctions watch

Some customs officers enforcing UN sanctions against Serbia and Montenegro on the Danube lack the basic modern equipment to do their jobs. Not only do the Hungarians not possess armed patrol boats, they are also without workclothes, torches, long rods with which to prod piles of grain and even screwdrivers. Page 2

Bundesbank criticised: Germany's six leading economic institutes sharply criticised the Bundesbank for failing to cut its interest rates quickly and sharply enough to ease the country's recession. Page 14

GPA to negotiate: Financially troubled aircraft leasing company GPA Group is to negotiate with its bondholders after its board discussed new restructuring options. These include a plan aimed at swapping more than $2bn in unsecured debt into equity. Page 15

Social Chapter threat: UK prime minister John Major faces the prospect of a damaging climbdown over the Maastricht treaty after the Speaker of the House of Commons ruled that MPs should be given another chance to vote on its social chapter. Page 14

Water chief's body found: The body of Sir Roy Watts, 67, chairman of the privatised UK water company Thames Water, was recovered from the river Thames in London nearly a week after he disappeared. Page 8

Peking to buy Boeings: China expects to buy at least 47 Boeing passenger aircraft this year at an estimated cost of $1.6bn, as well as ordering other aircraft such as the European Airbus and the Fokker-100. Page 5

Police race victim: Joginder Singh Prem, a 38-year-old Sikh policeman, received £25,000 ($40,000) from the Nottinghamshire police force in central England for racial discrimination during his 10 years of service. Page 8

Iveco's Chinese venture: Iveco, the commercial vehicle subsidiary of Fiat of Italy, is negotiating a joint venture in China to produce light commercial vehicles with Nanjing Motor as part of the expansion of its operations in Asia. Page 5; Ray of light, Page 17

Bass seeks stake: Bass, the British brewer, is negotiating to buy a stake in Prazske Pivovary (Prague Breweries), the Czech Republic's second largest brewer, privatised last year. Page 15

Australia changes TV rules: Australia has again been forced to amend its policy on subscription television, this time to contain embarrassment over the outcome of last week's bidding round for the initial licences. Page 19

Designer (cardboard) homes: A Dutch housing association said it planned to give specially designed cardboard boxes to Rotterdam's homeless. More than 1,000 people sleep rough in Rotterdam.

STOCK MARKET INDICES		
FT-SE 100:	2812.6	(-0.5)
Yield	4.05	
FT-SE Eurotrack 100	1148.16	(+3.83)
FT-A All-Share	1389.12	(+0.0%)
Nikkei	Closed	
New York lunchtime:		
Dow Jones Ind Ave	3448.89	(+2.43)
S&P Composite	444.82	(+1.56)
US LUNCHTIME RATES		
Federal Funds:	2 11/16%	
3-mo Treas Bills: Yld	2.9%	
Long Bond	103 5/32	
Yield	6.826%	
LONDON MONEY		
3-mo Interbank	6 1/8%	(6 1/32%)
Liffe long gilt future:	Jun 104 3/4 (Jun 103 23/32)	
NORTH SEA OIL (Argus)		
Brent 15-day (June)	$19.13	(19.16)
Gold		
New York Comex (June)	$355.7	(355.3)
London	$354.70	(355.75)

STERLING		
New York lunchtime:		
$	1.5665	
London:		
$	1.5705	(1.569)
DM	2.4675	(2.4925)
FFr	8.32	(8.3975)
SFr	2.225	(2.25)
Y	173.25	(174.5)
£ Index	80.8	(81.0)
DOLLAR		
New York lunchtime:		
DM	1.57465	
FFr	5.3035	
SFr	1.4205	
Y	110.225	
London:		
DM	1.571	(1.588)
FFr	5.2975	(5.3525)
SFr	1.4175	(1.434)
Y	110.25	(111.25)
$ Index	63.3	(63.8)
Tokyo Closed		

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	SLT200	India	Rs40	Nigeria	Naira45	Slovenia	HRD5100
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£60.00
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Esc215	Turkey	L7000
						UAE	Dh11.00

West poised to pour billions of dollars into Russia

By Edward Balls and John Lloyd in Moscow

THE Group of Seven leading industrial countries is prepared to start putting billions of dollars into the Russian economy in the next two to three months to shore up the economic reform movement, according to senior G7 officials.

However, the Russian government must show it is prepared to tackle the crisis with painful decisions, including allowing unemployment to rise to several millions as credits to state enterprises are stopped.

The G7 is assuring the Russian government that funds will be released if it is clear that "appropriate" policies have been adopted – not, as last year, that they must first fulfil a series of targets on inflation and on the budget deficit which have proved impossible to meet.

The barrier of "conditionality" imposed by the International Monetary Fund has thus been substantially lowered by a political decision of the G7 to support President Boris Yeltsin.

A senior G7 official said aid could start flowing as early as the end of this month if the pace of reform were accelerated. "If Mr Yelstin is prepared to be bold now then there is no reason why the aid should not flow by the end of May," he said.

But the continuing political struggle within and around the Russian government makes it unclear if even less strict criteria can be met.

Professor Jeffrey Sachs, senior foreign adviser to the Russian government, said that "it's a valid question as to whether actions will follow the referendum. The government does have to demonstrate that it has control, especially since without a strong central bank it's hard to have confidence. I believe they will but it's a legitimate worry".

Professor Stanley Fischer of the Massachusetts Institute of Technology and an adviser to the World Bank added: "It is important for the West to be seen to be helping in a major way. But at some point the west may have to say that there has been no progress and stop the money," he said.

The direction of economic reform continues to hang in the balance. Reformers have been buoyed by signs that Mr Yeltsin last week committed himself to pursue reform, to promote reformers and sack conservatives. But they have also been disappointed by lack of movement to date and by the appointment of Mr Oleg Soskovets, a former industrial manager and minister without a track record for reform, as a first deputy prime minister.

Western officials listed four key conditions which should be met before funds can be released. These are

- strict credit limits
- significant reductions in all subsidies
- a rise in interest rates
- a viable budget programme consistent with low inflation

The funds at issue are mainly from the IMF, which sends a team of senior officials to Moscow today to begin negotiations on disbursement. The first half of a $3bn "systemic transformation facility", to be used to support the budget, is likely to be agreed soon after the IMF officials report back to Washington.

A larger sum, the $4.1bn stand-by fund which has been available for over a year, could begin to be disbursed by the summer, according to the senior G7 official.

France and US agree peace tactics for Bosnia

By David Buchan in Paris and Robert Mauthner in London

THE US and France yesterday agreed that a large United Nations peacekeeping force must be sent to Bosnia rapidly if the Bosnian Serb assembly approves an international peace plan at its meeting today, but made no final decision on what action to take if the plan was rejected.

After talks in Paris with Mr Warren Christopher, the US secretary of state, Mr Alain Juppé, the French foreign minister, claimed there was "a broad convergence of views" between Paris and Washington on tactics even if the assembly rejected the plan.

In that event, "new measures will have to be taken, and nothing is excluded," Mr Juppé said in an apparent reference to US ideas on air strikes against Bosnian Serb supply and other military targets. He seemed to concede that military threats constituted useful pressure on the Bosnian Serb parliament's meeting, even though France would clearly be most reluctant to see its 5,500 force of peacekeepers in former Yugoslavia put at risk by air attacks.

Similar views are understood to have been expressed by Mr John Major and Mr Douglas Hurd, the British prime minister and foreign secretary, at a meeting with Mr Christopher at Chevening, near London, on Sunday. Mr Major was due to meet Mr Edouard Balladur, the French prime minister, in London last night for further co-ordination of British and French policy on Bosnia.

Reports from Pale, the seat of the Bosnian Serb assembly, suggest its members are split over whether to endorse the peace plan signed by their leader, Mr Radovan Karadzic on Sunday, in spite of thinly veiled warnings by western powers that they risk bombing raids if they reject it.

There are no signs on the ground that the Bosnian Serbs are prepared to implement a ceasefire ahead of their assembly's decision. Bosnia's Moslem-led government yesterday accused Serb forces of launching a fierce artillery attack on the enclave of Zepa, in the east of the country, and called for an urgent meeting of the UN Security Council to discuss measures to save the besieged town.

The government said that Zepa, one of the last two Moslem strongholds in eastern Bosnia, was "literally in flames", after Serb armoured units opened fire at dawn. A Moslem amateur radio report said Serb fighters had broken through Moslem forward defences and were burning villages, but UN officials said they could not verify the report.

In a letter to the UN Security Council president, Mr Yuli Vorontsov of Russia, President Alija Izetbegovic of Bosnia urged the Council to declare Zepa a UN protected area and to send a company of UN troops to "defend" it and the civilian population. A similar step was taken recently to save the besieged town of Srebrenica from Serb occupation.

Meanwhile, plans for a large multinational peacekeeping force of up to 75,000 men, including UN forces already in Croatia and Bosnia, to implement a Bosnian peace agreement once it has been finally endorsed, are due to be discussed by Nato's military committee in Brussels today.

Sanctions watch on Danube dances to old-world tempo, Page 2

Union to intensify east German strikes if contract not reinstated

IG Metall boss vows to pursue fight over wage rises

By Judy Dempsey in Rostock

Steelworkers at Rostock's Neptun shipyard queue yesterday to claim for strike pay

MR Franz Steinkühler, head of IG Metall, Germany's powerful engineering union, yesterday vowed to intensify strike action in the former East Germany if employers do not reinstate a previously agreed contract.

"We do not want eastern German workers to remain poor, a mezzogiorno," he told the Financial Times. "We do not want the employers to break the tradition of collective wage bargaining in eastern Germany, and then later, in western Germany," he added.

Earlier this year, employers cancelled the March 1991 contract with the union which would have equalised eastern and western wages by 1994. They did so because of recession in western Germany and low productivity in the east, which in the metal, engineering and steel sector, is lagging behind western Germany by about 70 per cent.

"There are some industries – take Opel, the new car plant, for example – which have higher productivity than in the west. But the issue is not an economic one," said Mr Steinkühler. "It is a political one. We need an industrial policy for the region."

Mr Steinkühler dismissed the argument that a low wage economy might help make the eastern German economy competitive by attracting more investment.

"And what would low wages do? The younger generation and skilled workers would migrate westwards. Stemming migration was one of the reasons why we signed the contract in 1991. Thousands of people were leaving each month. We cannot allow that to happen again. People must have a perspective. They must have a reason to stay," he said.

In any case, Mr Steinkühler explained, this year's pay rises of 26 per cent for metal and engineering workers and 21 per cent for steelworkers do not take into account the fact that working hours are longer, holidays shorter and benefits fewer in eastern Germany. Eastern wages, in reality, are about 60 per cent of western German levels. "Why should they pay west German prices with east German wages," he asked.

Mr Steinkühler is on a whistle-stop tour of the five east German states to coincide with the first official strikes held in the region since 1933. Yesterday, he told stevedores in Rostock that they had the freedom to strike and defend their rights. The last time they tried was in 1931. Two years later Hitler banned strikes, and the communists followed suit when they assumed power.

The small crowd of workers were subdued as they listened to Mr Steinkühler. Some were uncertain if they were striking to force the employers to reinstate the contract, protesting against the fear of unemployment; or striking to make sure they would receive higher unemployment benefits if they lose their jobs.

Despite the response, Mr Steinkühler said he was prepared to ballot on May 10 the metal and electrical workers in the three remaining states of Saxony-Anhalt, Thuringia, and Berlin-Brandenburg. But if some enterprises agree to pay wage rises as agreed in the contract, then he will ask these factories to sign individual contracts with the union. Other officials hinted the union might be prepared to postpone the timetable towards income parity, but in no way would this year's wage increases be compromised.

Whatever the outcome, Mr Steinkühler is convinced that workers in eastern Germany will no longer be afraid to strike.

Economic institutes attack Bundesbank, Page 14

Decline in US leading index prompts warning on recovery

By Michael Prowse in Washington

THE US recovery is "not solid", the White House warned yesterday, after the index of leading indicators posted its sharpest fall since the official end of the recession two years ago.

The commerce department said the index, which is designed to give advance warning of economic trends, fell 1 per cent between February and March, more than expected in financial markets.

President Bill Clinton said the figures reinforced the case for quick enactment of his deficit-cutting bill. Keeping the deficit down was the best investment government could make and the best route to lower interest rates, he said. Ms Dee Dee Myers, the White House press secretary, blamed slower US growth on "worldwide economic softness" and lack of investment during the past 12 years of Republican rule.

The sharp fall in the leading index followed a rise of 0.5 per cent between January and February. Nine of 11 components of the index fell, led by a drop in permits for home construction, an increase in claims for state unemployment insurance and a shrinkage of the average working week.

Ms Gail Fosler, chief economist at the Conference Board, a New York business analysis group, said growth would decline to an annual rate of only 1 per cent in the second quarter, against 1.8 per cent in the first quarter and 4.7 per cent at the end of last year.

The second quarter slowdown would reflect companies' efforts to run down inventories built up in recent months as a result of falling demand. Growth, however, was likely to recover in the second half of the year.

The fall in the leading index follows a report on Monday of a sharp fall last month in the Purchasing Managers' Index, a barometer of conditions in manufacturing industry.

Analysis will closely scrutinise employment figures, due on Friday, for evidence that weakness in the first quarter carried over into April.

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Fazio to become Bank of Italy governor

By Robert Graham in Rome

THE governing board of the Bank of Italy yesterday broke with tradition by naming Mr Antonio Fazio, the deputy director general, to take over as governor from Mr Carlo Azeglio Ciampi, who last Monday agreed to become prime minister.

The prestigious post to head the central bank, endowed with all the authority to act independently, has been assumed throughout the post-war era by the director-general. However, Mr Lamberto Dini, aged 62, director-general since 1979, has been passed over in favour of the 56-year-old Mr Fazio, the number three in the bank's hierarchy.

Mr Dini will continue in his present role at least until the bank's four-man directorate is made known. This will probably be before the governor's annual statement on May 31. But Mr Dini's long-term position in the bank has been complicated by Mr Fazio's promotion, and the authorities might well seek a prestigious international posting for Mr Dini who in 1986 was considered as a possible successor to Mr Jacques de Larosière, to head the International Monetary Fund.

The choice of Mr Fazio, the bank's most outstanding economist, was welcomed by most political parties. His appointment must be approved by President Oscar Luigi Scalfaro and the cabinet. However, Mr Ciampi had a clear hand in his successor and the former governor is understood to have co-ordinated closely with the president on the matter. Though Mr Ciampi has long worked closely with Mr Dini, their approach has never been in complete harmony.

By pressing to have a successor chosen so quickly, Mr Ciampi has signalled that he has no intention of keeping the governor's seat warm but empty while he heads a brief transitional government.

Instead this non-parliamentarian called on to be prime minister has shown he intends to make a clear division between this role and an independent Bank of Italy.

The 72-year-old former governor had held the post since 1979 and had made it known he was anxious to retire. He even offered to resign last September during the currency crisis. Moves by Mr Giuliano Amato, the former prime minister, to find a replacement were blocked by the Christian Democrats who feared Mr Dini was being passed by.

Inside the bank, the only other serious candidate was Mr Tommaso Padoa Schioppa, the 53-year-old number four in the directorate. His choice over the heads of two seniors would have caused major problems of management reorganisation, and the Christian Democrats regarded him too much of a lay candidate.

Mr Fazio, a devout Catholic, studied at the Massachusetts Institute of Technology under such illustrious figures as Modigliniani and Samuelson. Considered a moderate Keynesian, his career has been inside the bank since 1963.

He was responsible for drawing up the bank's first econometric model.

German waste exports bury the neighbours

By David Gardner

GERMANY is coming under increasing pressure from its EC partners over its ambitious waste recycling legislation, which many of them believe is stifling their own recycling industries.

Germany does not have the processing capacity to deal with the quantities of waste packaging that has to be collected and recycled. As a result, German waste material is being exported to other member states, often with a subsidy, and occupying capacity which is inhibiting the development of indigenous recycling efforts.

Britain, backed by France and Spain, submitted a formal complaint at yesterday's meeting of EC industry ministers, calling on the European Commission to act. The Netherlands, Italy, Ireland and Luxembourg echoed the complaint.

Environment ministers decided in March to set up a working group to examine the industry in the light of the German waste laws. But the UK is now arguing that unilateral leaps forward in environmental policy can slow the advance of "green" standards in the EC as a whole, and going it alone can create distortions in the single market.

The British document says its plastics recycling sector, still in its infancy, is getting German material "at zero cost and delivered free of charge, or in some cases with an incentive payment of up to £300 per tonne". UK imports of plastic waste rose 450 per cent last year compared with 1991, and the organisation set up by the British plastics industry to collect material cannot compete, the document says.

In the more developed recycling industry for paper and board, the UK says its recyclers cannot compete against subsidised imports from Germany. It claims "this was a major contribution in 10 per cent of UK paper and board manufacturers in the packaging sector being forced out of business in 1992."

The pressure appears already to be having some effect inside Germany, where the Bundesrat has concluded that 70 new incineration units will be neded to deal with the waste surplus.

Anger at criticism of Ilva proposals

By Andrew Hill in Brussels

ITALY'S new industry minister yesterday reacted angrily to a critical European Commission analysis of the restructuring plan prepared for Ilva, the loss-making state-controlled steel producer.

Mr Paolo Savona told fellow EC industry ministers that Brussels seemed prejudiced against a plan which had only been submitted on Friday.

His call for more sympathetic treatment was backed by Mr Claudio Aranzadi, the Spanish minister, whose plans for restructuring of the Spanish steel industry have still not won Commission approval.

Yesterday's stand-off was probably only a foretaste of the fierce debate to come in July, when ministers will have to decide unanimously on the fate of both state subsidy plans. They will also vote then on German proposals for the rescue of Ekostahl, the east German producer, which were turned down by the Commission last week.

Mr Karel Van Miert, competition commissioner, warned member states yesterday that Brussels would stick to a consistent and tough line on state subsidies to national steelmakers, to avoid undermining the overall EC plan for supporting the industry.

He estimated that the new Ilva plan would involve the payment of some Ecu4bn ($4.9bn) in state aids, mainly relating to the write-off of an estimated L8,500bn ($5.6bn) of debt. He said subsidies on such a scale would have to be offset by capacity cuts of up to 3m tonnes.

IRI, the Italian state holding company which controls Ilva, argues that the new plan involves no state aid, and that the "new" steel company it plans to create should not be subject to production cuts.

Ministers agreed a statement saying they were "encouraged" by the important steps already taken to support the EC industry, which include attempts to stabilise the Community market and protect it from cheap non-EC imports.

Markus Wolf (centre), former head of the East German spy apparatus, is surrounded by journalists yesterday as he arrives at a Düsseldorf court building to stand trial for alleged treason, espionage and bribery.

Mr Wolf later rejected the charges as the potentially-explosive trial opened in a small basement room of the North Rhine Westphalia court, writes Ariane Genillard in Düsseldorf.

The man who for three decades masterminded one of the most successful spy networks of the cold war era, is accused of treason against West Germany and of corrupting West German officials.

But in a well-crafted speech, Mr Wolf argued that the courts in West Germany could not judge actions committed under the laws of a then East Germany, which was a sovereign state.

Naples is bankrupt with debts of $1.4bn

THE city government of Naples, blighted by a widening corruption scandal, has declared itself bankrupt with an estimated $1.4bn in debts, Reuter reports from Naples.

Following a proposal by Mr Nicola Mancino, interior minister, Italian President Oscar Luigi Scalfaro is to appoint a commission to run the city's finances, after the southern port city's council voted to declare itself bankrupt.

Investigators have claimed that city councillors from several parties, including the Christian Democrats and Socialists, financed their electoral campaigns with kickbacks on public works contracts for the World Cup soccer finals in 1990.

A dozen members of the city council are under investigation in the scandal. Police yesterday said they had arrested Mr Ferdinando Clemente, a former president of the local regional council, who is accused of extortion.

Nearly half the city's debt is expected to be covered by the central government. The council hopes to recover the rest by various means, including an appeal to the Napoli soccer club to pay an estimated $13.6m in rent arrears for its stadium.

Drop in French investment seen

By Alice Rawsthorn in Paris

BUSINESS confidence in France has deteriorated since the start of the year, according to Insee, the state statistics institute.

The new centre-right government had hoped recent interest rate cuts might encourage investment. But the Insee survey suggests confidence is so weak that industrialists will lower investment by a further 9 per cent this year, following last year's 10 per cent cut.

Reductions are expected to be deepest in the motor industry, which yesterday reported a 14.2 per cent fall in output in the first quarter, and a 16.4 per cent drop in exports. The consumer goods sector is also expected to be badly hit.

France's first-quarter growth figures, due soon, are expected to show a real decline in gross domestic product. This would be the second successive quarter of negative growth.

The state-controlled Banque Nationale de Paris yesterday predicted "poor economic results" for the first quarter, with negligible growth for the full year.

It forecast a slight improvement in domestic confidence by the end of the year, but warned that exports would continue to be depressed by the strength of the franc and weak demand elsewhere in Europe.

Ukraine says Russia is violating CIS accord on nuclear weapons

Chrystia Freeland and Andrew Gowers on the struggle over control of parts of the former Soviet nuclear arsenal and ownership of the Black Sea Fleet

UKRAINE's defence minister has accused Russia of violating an agreement among former Soviet republics on the control of nuclear weapons and of using its forces stationed in his country to subvert Ukrainian independence.

In a rare interview, Gen Konstantyn Morozov said the nuclear weapons in Ukraine, Kazakhstan and Belarus were now under the direct control of Russia's defence ministry rather than under the joint command of the Commonwealth of Independent States, the ill-defined successor body to the Soviet Union.

This, he said, was contrary to an agreement signed by members of the CIS in Alma Ata, the Kazakh capital, when the USSR collapsed in December 1991.

Gen Morozov's comments mark a significant worsening in Ukrainian-Russian relations. They raise the prospect of an intensifying struggle between Kiev and Moscow both over control of parts of the former Soviet nuclear arsenal and over the ownership and location of the Black Sea Fleet, which have been in dispute for nearly two years.

The tenor of his comments also confirms that Ukraine is becoming increasingly unwilling to give up the 176 inter-continental ballistic missiles and nuclear-armed strategic bombers on its territory while its conflict with Russia is unresolved.

Ukraine's delay in ratifying the Start 1 strategic arms limitation treaty and in acceding to the nuclear Non-Proliferation Treaty has soured its relations with the west and threatens to upset the entire international disarmament process.

"Currently the Russian ministry of defence controls all the nuclear weapons in all the former Soviet republics," said Gen Morozov.

"We are the only republic that is sticking by the CIS agreement."

The defence minister said this arrangement was plainly unsatisfactory and that western security would be better served if Ukraine had the practical capacity to block the use of nuclear weapons on its soil, rather than the purely political veto it is permitted under its accord with Russia.

"For a long time these weapons have been aimed at the US. In my view it would thus be convenient for the world if Ukraine had technical control over the non-use of these weapons," he said. It would be "technically possible," he added, for Ukraine to acquire such capacity unilaterally, although it had no current intention of doing so.

President Leonid Kravchuk has consistently vowed that Ukraine will ratify Start 1 and accede to the NPT as a non-nuclear state. But parliament has yet to hold a formal debate on these issues, and pro-nuclear sentiment is growing as Ukraine comes under increasing pressure from the west and Russia.

The Russian parliament insists it will not ratify the Start 2 arms control accord signed by Presidents George Bush and Boris Yeltsin in January until Ukraine fulfils its commitments.

On the Black Sea Fleet, Gen Morozov said negotiations were going "very badly".

He accused Russia of using the fleet, stationed in Sebastopol in Crimea, to siphon off Ukrainian assets and politically to destabilise the region, to which Russia has asserted territorial claims.

"By politicising the Black Sea Fleet issue, it [Russia] is making the situation in the entire Crimean peninsula more acute," he said. "It is my view that Russia is trying to use its presence in Crimea to exert pressure on the government in Kiev over Ukrainian independence."

Gen Morozov said if Russia would not agree rapidly to a division of the fleet, then he would demand that Moscow remove it in its entirety from Ukraine.

"If Russia insists on maintaining a presence in Sebastopol, Ukraine cannot accept this position," he said. "I will demand the withdrawal of all ships of the Black Sea Fleet as a foreign army, and we will build our own fleet, although this would be a great loss. We cannot give part of our territory to another power under any circumstances."

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Aid sought by Czech employers

By Patrick Blum in Prague

THE CZECH government should do more to help foster companies' competitiveness, rather than focus primarily on macro-economic stability, the Czech Employers Confederation says.

Mr Rudolf Baranek, the confederation's chairman, says companies face growing problems because of a decline in exports, poor production structures and marketing.

The end of the currency union with Slovakia, together with import restrictions into the EC, have also exacerbated their difficulties. Employers are worried, too, by the rapid growth of wages, which they say outstrips improvements in productivity.

● The National Bank of Slovakia revalued the Slovak crown by 3 per cent against the clearing Ecu set up to regulate trade with the Czech Republic.

Press will benefit from privatisation

By David Buchan in Paris

FRENCH state companies due for sale will have to place "at least half" their privatisation publicity budgets with the press, to boost newspapers' falling advertising revenues.

This commitment was made to press proprietors yesterday by Mr Alain Carignon, the new communications minister, who also promised a FFr200m ($37m) "support fund" to prevent certain ailing publications from disappearing. These include the Quotidien de Paris, which braved a national strike last week only to warn its readers it was about to go bankrupt, and *l'Humanité*, the Communist party newspaper.

Asked about the irony of a conservative government saving a Communist paper, Mr Carignon's spokeswoman said yesterday: "We need to find out what's going in that section of opinion."

The conservatives' last sell-off of companies in 1987 proved a boon for the press, which received 63 per cent of the privatisation advertisements. But the share of ordinary publicity going to newspapers fell to 51 per cent last year. Economic recession and competition from television have caused press advertising revenue to fall by a third in the past two years.

Last year the Socialist government also stopped newspapers from carrying tobacco and alcohol advertisements. Mr Carignon said he would honour this law.

Demirel bids for Turkish presidency

TURKISH prime minister Suleyman Demirel yesterday formally announced that he would stand as a presidential candidate in the first parliamentary ballot due on May 8, writes John Murray Brown from Istanbul.

The main opposition Motherland party (Anap) said it would announce its presidential candidate today.

If Mr Demirel is elected, his True Path party, DYP, which is the largest party in parliament, would have to choose a new leader within 45 days.

In the interim period, Mr Erdal Inonu, the leader of the SHP, the coalition's junior partner, would be likely to take over.

Commission to draw up strategy for jobs creation

By David Gardner in Brussels

THE European Commission is to draw up a Community-wide jobs plan to match and back the modest EC growth initiative agreed at last December's Edinburgh summit.

The main object is to create a more coherent job-creation framework for what member states – who have virtually sole jurisdiction in this area – now do, as well as to solicit ideas for dealing with growing structural unemployment.

The Commission is expected to prepare a plan for June's council of social affairs ministers, after employment ministers promised their backing at an informal meeting yesterday in Copenhagen.

The preliminary ideas endorsed by ministers included:

● greater co-operation between employment and finance ministers, and promotion of successful national measures across the EC;

● identifying ways to promote new jobs, new types of job, and cut labour costs;

● initiatives for bringing more women into the labour force;

● strengthening training, for the employed and jobless;

● using the unemployed to fill in for those under training.

Mr Padraig Flynn, social affairs commissioner, told ministers that "in many people's minds, the Community is part of the unemployment problem, rather than part of the solution". This had to be turned around. "We need to be seen to be putting together national actions within some common Community framework."

He has already won Commission approval to reform the EC Social Fund, which spends some Ecu6bn ($7.32bn) a year on training for the long-term and young unemployed. Under the reform, which needs the approval of the Twelve, part of these funds would be aimed at retraining workers still employed in industries which are restructuring.

However, the latest initiative takes Brussels' activism on the Community's 17m jobless considerably further. One senior official, expressing mild surprise that the Twelve were going along with it, said that "these ministers are on the rack, and looking around for things that work well". He added: "There is obviously scope for making better use of resources, including national resources."

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Sanctions watch on Danube dances to old-world tempo

By Nicholas Denton in Budapest

"THEY HAVE no lamps, they have nothing. There is just one screwdriver which must be 50 years old. I told them they could send it to a museum," says Mr Jens Bakkensen, EC observer at the Hungarian river port of Mohacs.

The customs post itself has the air of a museum piece.

Baked in the unseasonally hot sun, it looks like nothing has happened in the four centuries since an invading Turkish army destroyed the Hungarian king and nobility at a battle near the spot in the 16th century.

In April, 300 shipments passed through, but the flow has almost dried up. In the first few day of May, it has been reduced to one shipment a day.

With only one uniform each, customs officers on the Danube upstream of Serbia prefer not to root around in holds to enforce western sanctions. The EC's sanctions assistance mission is waiting for a truck from Britain to deliver overalls and basic equipment.

In the meantime, the Hungarians are without workclothes, torches, long rods with which to prod piles of grain, and even screwdrivers.

Nor do the Hungarian authorities possess armed patrol boats.

What if a ship was determined to cross into Serbia and ignored the little "stop" sign at the river bank? It has never yet happened, the Hungarians answer.

Even so, the Hungarian government is reluctant to accept the West European Union's offer of patrol boats.

Budapest is also dragging its heels on implementing the latest UN resolution tightening up transit through Serbia.

Next door, on a riverside restaurant terrace, boatmen, customs officers and EC monitors take a break to eat the local spicy fish soup and drink a glass of wine or something stronger.

The same laid-back spirit infects customs inspections. Hungarian officers – after a break for lunch – began to search the Zvezdnyy, the Ukrainian boat's six attendant barges and the cargo of steel for the Mideast and Austrian wheat for Uzbekistan.

On one of the Zvezdnyy's barges the Hungarians test whether rolls of steel coil are genuine by picking up iron pellets left over from a previous trip, dropping them against the giant cylinders below in the hold and listening to the tone of the clang.

What sanctions violations have been discovered are exports from Serbia rather than imports into the country. The Mohacs post found two barges full of maize whose official provenance was Bosnia-Hercegovina but in fact was Serbia. Serbia might need food, accepts Mr Bakkensen. "But they also need money."

Although there is little evidence of smuggling, there can be no guarantees that the border is sealed. Each barge can carry as many as 50 lorries and each ship can push or pull as many as a dozen barges. The Zvezdnyy drove a relatively modest number. Even so, the Hungarian customs entered only one of the barges and broke into only one out of hundreds of cases of steel sheet within it.

The sanctions enforcers could only have the reassurance of Mr Valentin Trishin, the big-bellied Ukrainian captain of the Zvezdnyy. He gave a gold-toothed beam, pointed down the Danube towards the border and the ruined town of Vukovar beyond, and gestured: "Serbia, straight through."

NEWS: THE AMERICAS

Paraguayans have first free say in 182 years

ELECTIONS in Paraguay used to have only one serious contender. General Alfredo Stroessner ruled Paraguay with an iron fist for 35 years but was ritually "re-elected" in polls that were neither free nor fair.

The Stroessner era ended in 1989 when his former right-hand man, General Andres Rodriguez, toppled him in a military coup. To the surprise of many, Gen Rodriguez has kept his promise of bringing democracy to Paraguay – a country ruled by generals and dictators since independence from Spain in 1811.

Mr Rodriguez promises that the general election on Sunday will be free and fair. He was himself confirmed in power in a reasonably clean snap election months after the 1989 coup. Mr Rodriguez, who is constitutionally barred from standing, has repeatedly stated in public that he will respect the result of the election for president and for congress, even if the opposition wins.

The likelihood of an opposition victory is less remote than once seemed possible. The formidable electoral machine of the Colorado party – which, together with the army, has run Paraguay for almost 50 years – is split and demoralised.

Its lacklustre candidate for president, Mr Juan Carlos Wasmosy, is lagging in the polls. Mr Luis Maria Argana, his opponent in a bitter primary election, is calling on voters to back any candidate rather than Mr Wasmosy.

Furthermore, an unending stream of reports in the unshackled press about political repression during the Stroessner years and corruption under Mr Rodriguez has further darkened the reputation of the Colorados and the military.

Opinion polls put two opposition candidates in the lead. Mr Domingo Laino, veteran opponent of the Stroessner regime and candidate of the Authentic Liberal Radical party is running neck and neck with Mr Guillermo Caballero Vargas, an independent pro-business candidate of Encuentro Nacional, a coalition grouping.

John Barham reports on the election

None of the three leading candidates would be expected to make any radical policy shifts. Mr Wasmosy pledges continuity. Mr Caballero would take a more pro-business line. Mr Laino wisely promises to avoid antagonising the armed forces.

The government has not been helped by a mixed economic record. Despite its free-market policies, last year the economy grew only 1.7 per cent. This year things are looking up, with stronger export prices and forecasts of 4 per cent growth.

All this has not gone down well with the armed forces or the Colorado party. Gen Lino Oviedo, commander of the 1st army corps, which is strategically based in the capital, Asuncion, said the armed forces would "co-govern" Paraguay with the Colorados forever – a view publicly shared by other top officers. But on Saturday Mr Laino attracted 200,000 people to a rally in Asuncion, which analysts see as an eloquent public rebuke to the military.

There is also widespread belief that the Colorados could simply rig the elections. Or they could use their majority in congress – which will have the last word in disputes over the elections' outcome – to maintain their hold on power. If all else fails, the army could intervene.

But it will be harder to get away with dirty tricks than before. International observers will be vigilant. Argentina and Brazil – Paraguay's two powerful neighbours – say they will not tolerate a return to the past. US President Bill Clinton has told Mr Rodriguez he trusts the elections would be free and fair and would proceed as scheduled.

The US has had a crucial role in coaxing Paraguay towards democracy, as it had in keeping Mr Stroessner in power. That is why level heads in Asuncion are confident that Mr Rodriguez will be as good as his word and turn over power to a legitimately elected successor – for the first time in 182 years.

It is another question whether an opposition leader can govern without the backing of the military, still the arbiters of power in Paraguay.

Stroessner: ruled for 35 years with ritual 're-elections'

Rodriguez: promises Sunday's election will be free and fair

Threat of US mine strikes

THE United Mine Workers union is threatening strike action at the US's largest coal mines, in a stand-off over job security, reports Laurie Morse from Chicago.

Mr Jim Grossfeld of the union said miners worked without a contract yesterday after a contract extension expired at midnight on Monday. Owners, represented by the Bituminous Coal Operators Association, met union officials on Monday, with federal mediators. No more meetings were scheduled yesterday, Mr Grossfeld said.

"The story is, barring a settlement, every mine of every BCOA operator becomes a strike target," he added.

The BCOA is refusing to guarantee in a new national contract that its members will employ union workers at their new mines. As older coal mines shut and new ones open with non-union labour, the United Mine Workers has been losing its support base.

The union targeted Peabody Coal, a subsidiary of Hanson of the UK, for a strike on February 2 when the national contract first expired. The strike ended and negotiations resumed on March 2.

US officials set out foreign policy aims

By Jurek Martin in Washington

THE promotion of economic reform, trade, democracy and human rights will be the cornerstones of US policy towards both Latin America and Africa, according to two speeches delivered this week by senior members of the Clinton administration.

On Latin America, Mr Clifton Wharton, the deputy secretary of state, engaged in few specifics, but said the US had no intention of trying to overthrow President Fidel Castro of Cuba but hoped the Cuban people would win their freedom through "peaceful transition".

He endorsed the controversial Cuban Democracy Act, which curbs commercial links with Cuba, as part of a twin-track policy – refusing "support for the Castro dictatorship" while simultaneously opening a door to Cuba to rejoin "the democratic community". Soon, he predicted, the Cuban government will no longer be able to "defy political gravity".

Mr Wharton argued that the North American Free Trade Area "is in the overriding economic and foreign policy interest" of the US. Restoring democracy in Haiti was also a priority.

On Africa, Mr Anthony Lake, the White House national security adviser, took comfort in the trend towards multi-party elections on the continent. He pledged an activist approach to "disasters in the making", such as Somalia, and to resolution of conflicts in Zaire, Sudan, Liberia and Togo.

Both speeches represent the first attempts by the administration to place the respective continental policies in a conceptual framework.

The Latin America policy statement marks a departure from the attitudes of President Ronald Reagan, consumed by the need to fight communist insurgencies, and of President George Bush, often dominated by the need to combat the narcotics trade.

Many of its sentiments resemble the policies of the Carter administration.

Mr Wharton also specifically praised the leadership of Presidents Salinas of Mexico, Menem of Argentina and Aylwin of Chile for liberating economic capabilities.

Mr Lake said the new administration not only knows "where Africa is" but intends to contribute to "where it is going".

Mexican will defend libel suit

By Damian Fraser in Mexico City

MEXICO'S former minister of communications and transport, Mr Andres Caso Lombardo, says he has turned down an offer to become his country's ambassador to the UK, to defend himself against accusations of libel brought by British subject and former IBM agent Mr Kaveh Moussavi.

Mr Caso Lombardo, minister until March this year, said he would not take up a position in the foreign service, so as to "have absolutely all the freedom to defend myself" against Mr Moussavi's accusations.

A writ against Mr Caso Lombardo for libel and slander was issued in London on Friday on behalf of Mr Moussavi, who has engaged the services of libel specialists Peter Carter-Ruck and Partners.

Mr Moussavi claims that Mr Caso Lombardo defamed him in giving his response to allegations made by Mr Moussavi earlier this year.

Mr Moussavi had said three officials from the Mexican government had solicited a bribe of $1m (£650,000) in return for fixing a controversial $21m air traffic control contract.

Although the legality of the contract was later upheld by Mexico's Comptroller of the Federation, Mr Moussavi's allegations created a storm in Mexico.

Mexico's attorney-general, Mr Jorge Carpizo, said yesterday his office would investigate Mr Moussavi's original allegations and the counter-charges arising out of them.

Eleven die in Chilean mudslides and floods

AT LEAST 11 people died and more than 60 were hurt in floods and mudslides which swept through parts of the Chilean capital, police said yesterday, Reuter reports from Santiago.

Heavy rain in the Andes mountains swelled rivers and burst canal banks on Monday, burying parts of poorer southern neighbourhoods of Santiago under mud and water.

Radio reports said the death toll could be 14 or higher after more bodies were found in the mud yesterday morning.

Police and civil defence workers with earth-moving machinery struggled to clear away mud and debris. More than 1,700 people were temporarily given shelter in schools.

Local authorities appealed for warm clothes and food for the homeless.

A pass between Chile and Argentina was also closed after the rain caused rock falls, and one of the world's largest copper mines, El Teniente, was shut down for a second day after a bridge collapsed and power stations were flooded.

ADB chief in bid to secure rise in capital

By Victor Mallet in Manila

MR Kimimasa Tarumizu, president of the Asian Development Bank, yesterday defended the bank's record in the face of US reluctance to subscribe to a proposed capital increase and said new funds were needed to alleviate poverty, preserve the environment and finance investment in infrastructure.

Addressing the opening session of the ADB's annual meeting, Mr Tarumizu said the bank expected to raise about $14bn (£8.9bn) on international financial markets over the next four years to finance its loans to developing Asian countries. The ADB's borrowings rose to $3.1bn last year from $1.3bn in 1991.

The ADB wants to double its subscribed capital from the present $23bn, both to secure its future borrowings on international markets and because its charter limits the amount it can lend to the sum of its capital and reserves.

US representatives have suggested a reinterpretation of the charter to allow further lending without the capital increase, arguing that the limit should be on loan disbursements rather than commitments.

But if the existing interpretation is accepted – and the ADB insists that it should be – the bank will probably have to stop granting new loans some time in 1994, unless they are covered by incoming repayments of previous credits. Mr Tarumizu yesterday described an early consensus on the capital increase as "critical".

Responding to concerns about the rising failure rate of ADB projects, he said measures had been taken and "task forces" established to increase the effectiveness of the bank's assistance.

He said the ADB needed resources because it was expanding – the six former central Asian republics of the Soviet Union are expected to join soon, although they are also members of the European Bank for Reconstruction and Development – and because further outside support for economic reform in Asia was essential despite the success of many Asian economies.

"The overwhelming majority of the world's poor – and the extremely poor – still live in Asia, almost entirely in the bank's member countries," he said.

At one point Mr Tarumizu emphasised the need to tackle Asian infrastructure problems such as power shortages, particularly severe in the Philippines where the ADB annual meeting is being held; as if on cue, the lights in the convention centre went out.

Mr Nelson Mandela, president of the African National Congress, pictured yesterday, urged British business to invest in South Africa "as soon as the date for elections is announced" and promised an early return to Commonwealth membership, writes Michael Holman. Mr Mandela, on a two-day visit to London, is due to hold talks today with Mr John Major, Britain's prime minister, and address members of both houses of parliament. The ANC expects the constitutional negotiations under way in South Africa will soon set a date for the country's first all-race elections, paving the way to a government of national unity. The election itself would follow within a year. Mr Mandela told a press conference that the ANC had "issued an investment code which provides that there will be no expropriation of property of investors. They will be allowed to repatriate their dividends and profits, and we think that will go a long way to reassuring investors to invest in our country". The ANC leader once again appealed to whites to stay in South Africa: "They have the knowledge, the skills... without them it is going to be difficult to address many of the socio-economic problems facing the country." An early foreign policy decision of a new government would be to rejoin the Commonwealth, Mr Mandela said later at a lunch in his honour hosted by Chief Emeka Anyaoku, Commonwealth secretary general.

Picture: Tony Andrews

Imports surge lifts Australian deficit

By Emilia Tagaza in Melbourne

AUSTRALIA'S current account deficit rose sharply to A$2.13bn (US$1.5bn) on a seasonally adjusted basis in March, more than double the February deficit of A$861m.

Imports surged, mainly because of an increase in machinery imports and the payment for a natural gas tanker.

The figures have dented market expectations of another drop in interest rates by the middle of this year. Favourable growth and inflation figures during the December quarter had allowed the government to cut interest rates by a half point last month.

The government is taking comfort in the import figures, saying a rise in machinery imports in March indicates that business investment is steadily recovering. The tanker purchase will also help raise exports of natural gas, especially to Japan.

Nevertheless, analysts now expect an extremely weak recovery.

Singapore eases newspaper curb

Singapore is to let the Asian Wall Street Journal increase its circulation and, for the first time since 1988, base a correspondent in the island republic, Kieran Cooke writes from Singapore.

In 1987 the Singapore government cut the Asian Journal's circulation to 400 copies a day after accusing it of interfering in domestic politics. Subsequently the government has raised the permitted circulation to 3,500 copies daily.

Asian Journal correspondents have only been allowed into Singapore for brief visits in the last two years.

The Asian Journal said that before the circulation curbs it was selling 5,000 copies a day in Singapore.

"We continue to hope the government will soon allow the market, not government permit, to determine our sales," the Journal said.

S Africa plans Angolan links

South Africa yesterday said it planned to reopen its diplomatic mission in Angola, which it closed in November because of hostility over renewed civil war, Reuter reports from Cape Town.

South African Foreign Minister Pik Botha said the decision to send officials back to the Luanda office was made following a meeting yesterday with the former Angolan military commander, Gen Antonio dos Santos Franca.

The diplomats were withdrawn in November when fighting restarted after a disputed election and the Angolan government accused Pretoria of resuming support for Unita rebels.

Pakistan seeks seized envoys

Pakistani authorities said yesterday they were trying to obtain the release of three European diplomats kidnapped in Afghanistan
but would not accept the kidnappers' demand for the release of two men arrested for gun-running, Reuter reports from Quetta, Pakistan.

Clinton may intervene in Mideast peace talks

By Roger Matthews in Washington

US PRESIDENT Bill Clinton is considering calling a personal meeting with the heads of the Arab and Israeli negotiating teams in Washington shortly in a renewed American effort to breathe life into the Middle East peace process.

Mr Farouk al-Shara, Syrian foreign minister, said in Damascus yesterday this indicated the importance that the US attached to the peace efforts.

Earlier Mr Yitzhak Rabin, Israel's prime minister, had damped down hopes of quick progress in the ninth round of the talks and warned that negotiations could "blow up" if references to the final status of the occupied Arab territories was put on the agenda.

His remarks were primarily directed at Mr Shimon Peres, his foreign minister, who on Sunday said Israel faced a decisive two weeks of negotiations and called for the pace of the talks to be accelerated.

Mr Peres, a long-time rival of Mr Rabin within Israel's Labour party, said he favoured an eventual confederation between Jordan, the West Bank and the Gaza Strip.

Mr Rabin, in an Israeli newspaper interview, retorted that the only way to complete negotiations quickly would be by giving the other side everything that they demanded. "I do not intend to do that," he said. The prime minister also ruled out Mr Peres's proposals on confederation saying that meant conceding a Palestinian state.

As the negotiations entered the second week of the present session, Israel and Syria appeared deadlocked over the core issue of the "full peace" which would follow a "full withdrawal" from the occupied Golan Heights. Israel is insisting that Syria must specify in detail what it means by a "full peace" before it will indicate how much of the Golan it will return. Mr Rabin insisted yesterday the onus was on Syria to break the impasse.

The lack of progress achieved in any of the sets of talks, which also include Lebanon and Jordan, appear to have dashed earlier US hopes that all the delegations might agree to remain in Washington for an extended period.

Handling of Israeli banks sale criticised

By Judy Maltz in Jerusalem

ISRAEL'S state comptroller yesterday published a highly critical report of the government's handling of the sale of shares in the country's banks, which it took over 10 years ago following a share manipulation scandal.

The comptroller's report said that rather than protect the public interest and minimise its losses, the government was prepared to make concessions to the former owners, thereby serving their interest in regaining control of the banks.

The government allowed the former owners to take part in formulating policy concerning the sale of the banks and was willing to give them preferential terms in bidding for a controlling stake, it said.

The former owners retained majority voting rights, and the report notes that the Treasury gave former owners who agreed to the equalisation of the banks' shares a bonus in the form of 3 per cent of the capital.

According to the report, the government's willingness to allow the former owners to be involved in the banks' privatisation has been a main reason behind the prolonged delay in selling of the institutions.

"It was clear in advance that these people saw themselves as candidates to reacquire control, when the government put the shares up for sale," said the report. "This created a blatant contradiction between the aims of the government and the effective owner interested in selling the banks under the best possible terms, and the aims of the bank managers and former owners."

The report was published two days after the cabinet approved a reorganisation programme for Israel's four leading banks, presented by Finance Minister Avraham Shohat. The programme will force the big banks, which control more than 86 per cent of banking activity in the country, to sell off some of their smaller banking subsidiaries and their holdings in non-banking companies.

Since taking over the banks in 1983, the government has not yet sold off shares in any of the big four – Leumi, Hapoalim, Israel Discount and Mizrahi.

Premadasa leaves legacy of growth

Slain Sri Lankan president's gains set to live on, writes Stefan Wagstyl

THOUSANDS of Sri Lankans yesterday stood in line on the beach of Colombo waiting to enter the waterfront mansion of the assassinated President Ranasinghe Premadasa to pay their last respects.

Among them were businessmen who wished to honour a man who had done much for his country's economy. Mr Premadasa presided over rapid liberalisation, solid economic growth, a sharp rise in share prices and an unprecedented surge in foreign investment.

Businessmen in Colombo believe Mr Premadasa's economic achievements will survive his bloody death at the hands of a suicide bomber last weekend. They think that even though the assassination could bring confusion in politics, Sri Lanka's economy will survive the shock.

As Mr A S Jaywardena, chairman of Sri Lanka's Securities and Exchange Commission, says: "There will be a loss of confidence but it will be moderate."

Sri Lankan executives have grown used to doing business amid political turmoil. For 10 years the country has been split by a civil war in the north and east in which the Tamil Tigers insurgents are fighting for a separate homeland for the minority Tamil community against the wishes of the majority Sinhalese.

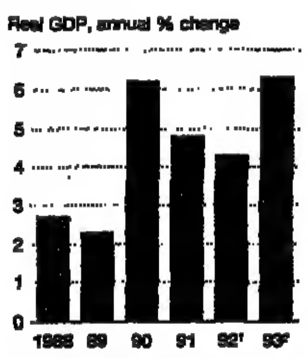
However, businessmen do have one concern – that the president's death and the assassination the previous week of Mr Lalith Athulathmudali, an opposition leader, might trigger more general violence in the relatively prosperous south and west of the island.

The danger yesterday seemed remote – Sri Lankans have reacted remarkably calmly to the president's assassination. But the risk exists: the JVP, a Singhalese anarchist group, resorted to violence in the late 1980s and was ruthlessly suppressed at considerable cost to Sri Lanka's international reputation.

If calm continues to prevail now, much credit will be due to the way in which the caretaker government, led by Mr D B Wijetunga, the acting president, and the opposition parties have refrained from inflaming passions. As a western diplomat said yesterday: "People are behaving very well because they know how quickly the situation might slip out of control if they try to exploit it."

Sri Lanka

Real GDP, annual % change



Source: IMF/EIU [1]Estimate, [2]Forecast

To businessmen's relief, Mr Wijetunga has also committed himself to carrying on with Mr Premadasa's economic policies, including deregulation of trade, financial services, and privatisation. Moreover, there are strong signs that the opposition leaders would also broadly favour Mr Premadasa's economic policies if they were to come to power.

The two assassinations have come at a time when businessmen are fairly well placed to withstand a moderate blow to confidence. The economy has been growing at an average annual rate of 5 per cent in the last three years, including 1992 when the rate slipped to 4.3 per cent because of a severe drought.

Mr Wimal Hettiarachchi, director of economic research at the central bank of Sri Lanka, expects to see 5 per cent growth this year. "We hope to see further progress. Politicians have their differences, but no one wants to sabotage the national economy."

Foreign investment, which has grown from US$50m (£32m) a year in the mid-1980s to $200m last year, could suffer from the political upheavals as those investors who have yet to commit themselves to Sri Lanka may decide to hold back. Foreign investment in the country largely consists of small investments in businesses which require little capital – such as garment-making, shoes and toys.

Tourism, an important earner of foreign exchange for Sri Lanka, is particularly vulnerable to the effects of violent incidents. Fortunately for the country's hoteliers, the assassinations have occurred at the end of the tourist season.

"If this had happened in November, we would be in trouble," said one Colombo hotel manager. The industry, which is mainly in the south, has only just recovered from the effects of the JVP insurgency. The number of tourists in 1992 rose 24 per cent to 394,000 – a level last seen in 1984.

Sri Lanka cannot afford another prolonged period of economic disruption. The country's high literacy rate of more than 90 per cent is the envy of other developing nations. But these well-educated people are more likely than their uneducated peers to demand good jobs. Without jobs, they are more likely to voice their anger.

As a leading Colombo economist sys: "Sri Lanka needs to keep growing at least as fast as it has in the past few years."

UN seeks funds for Mozambican exiles

THE United Nations yesterday launched an appeal to send 1.3m refugees back to Mozambique in Africa's largest ever voluntary repatriation programme, Reuter reports from Geneva.

The $203m sought from donor states will finance a three-year programme, which officials hope to begin by late June.

The funds will be used by the United Nations High Commissioner for Refugees (UNHCR) to buy food and seeds for planting, hire trucks to transfer the refugees, and rebuild roads, bridges and schools. Up to $6m of the funds will be used to remove landmines from the country.

A total of 1.8m refugees are believed to have fled civil war in Mozambique, which caused $15bn in damage and left 3m dead before it ended last year.

A peace accord and the easing of a severe drought have already encouraged 150,000 refugees to return, according to the UNHCR. The Geneva-based UN agency expects to repatriate another 500,000 this year at a cost of $55m.

"The refugees are very eager to come home," said Mr David Lambo, UNHCR co-ordinator for southern Africa. "They are waiting to see if the peace situation is really going to stick. Mozambique is a key to bringing peace and prosperity to the whole region," he said.

Malawi is sheltering 1.1m of the 1.3m Mozambican refugees registered with the UNHCR. Zimbabwe is home to 138,000, followed by Zambia, Swaziland and Tanzania with 20,000-25,000 each.

In addition, South Africa is believed to have 250,000 unregistered Mozambicans, Zimbabwe a further 100,000 and Tanzania another 50,000, the agency said.

"The slow implementation of the peace process, the fragile economic situation, the presence of millions of displaced and hungry people, and the estimated 2m mines are among the major obstacles UNHCR faces," it said.

New group targets the roots of corruption

Michael Holman examines an attempt to fight the scourge of the developing world

A CAMPAIGN to fight corrupt business practices around the world may seem the contemporary equivalent of cleaning the Augean stables. An attempt to do just that gets under way in Berlin today.

A gathering of some 70 businessmen, specialists, and senior officials from development agencies and governments rich and poor are preparing for the official launch of Transparency International – "an international coalition against corruption in international business transactions."

This objective may seem optimistic, to say the least. But its founders are confident that it is an idea whose time has come. The concepts of good governance and accountability have unprecedented international support, as relevant to exposing corruption in Brazil or Italy as in Zaire or Nigeria.

Behind the project, nearly two years in gestation, is a group of hard-headed veterans of aid, commerce and development, eminent in their own fields, and with experience spanning the developing world.

Among those playing an active role in the Berlin launch is Mr Robert McNamara, the former World Bank president, while the names of a distinguished 30-member advisory council are due to be announced this week. They are expected to include Mr Oscar Arias, former president of Costa Rica and Nobel prize winner, Mr Andy Young, a former US ambassador to the UN, and Mr Haartmut Ruppel, Namibia's attorney general.

All share concern about the impact of corruption, generally agreed to have increased dramatically over the past decade. "Nobody in the business world pretends any more that corruption is not one of the most important and damaging factors in third world development," says a businessman and adviser to TI, who has drawn from his experience in Africa, Asia and the Caribbean.

The damage to third world economies, he points out, goes beyond the fact that the wrong supplier or contractor might be chosen. "When a government is persuaded – that is bribed – that it needs aircraft or a food processing plant which are unnecessary or unjustified, not only is there a loss of scarce foreign exchange resources. Those resources will have been diverted from worthwhile projects."

Mr Peter Eigen, a former senior World Bank official and interim chairman of TI, has no illusions about the immensity of the task, which embraces former communist states as well as third world countries.

"We recognise the realities of international commerce and competition," says Mr Eigen, who in the 1980s served as the World Bank resident representative for east Africa, based in Nairobi: "Our approach must be evolutionary."

At the heart of the campaign will be the drive to win support for a code of conduct.

Governments, lending and aid-granting agencies and companies will be invited to subscribe to the code, central to which is a pledge not to offer or accept bribes.

What may help make the code effective is the *quid pro quo* tactic TI will employ. "Initially there may be only a few countries where business and government abide by our code, a few 'islands of integrity'," as Mr Eigen puts it.

The campaign will therefore focus at the start on five or six governments in developing countries and eastern Europe who are prepared to support the code.

These governments – some have already had discussions with TI – will restrict tendering for state contracts to corporations who have themselves signed the pledge.

"We expect these leading countries will create a momentum by their example," says Mr Eigen.

Apart from seeking support for honest business practices, TI will offer a range of services, helping to strengthen rules and systems for international procurement bidding to help eradicate corruption, or assisting governments to establish anti-corruption investigative agencies, providing a clearing house for information on corruption, and examining serious contraventions of the code.

TI may be optimistic, but it is certainly not naïve. It would be invidious to suggest that some of TI's supporters in the business community are poachers turned gamekeepers, but a 50-page analysis of corruption by one of the founders displays considerable insights into the world of contracts and kickbacks.

Top of the contract kickback list are aircraft, ships, military supplies and telecommunications, followed by big industrial and agro-industrial projects. Then come dams, bridges, airports and hospitals, and bulk supplies – oil, cement, fertiliser.

As a rule of thumb, 5 per cent of $200,000 will win the help of a senior official below top rank. The same percentage of $2m and you are dealing with the permanent secretary.

At $20m enter the minister and senior staff, while a cut from $200m "justifies the serious attention of the head of state."

Suggestions that existing safeguards against corruption are effective, such as international competitive bidding, or pre-shipment inspection are dismissed: "The short answer is that with complicity between buyer and seller they are largely ineffective."

Transparency International, c/o IWS, Technical University of Berlin, Hardenbergplatz 2, D-1000 Berlin 12, Germany. Tel 49 30 262 7041 fax 49 30 262 7044

Indian budget eases taxes and cuts import duties

MR Manmohan Singh, Indian finance minister, yesterday announced tax and import duty cuts worth Rs4.29bn ($132m) in budget proposals for the year from April, Reuter reports from New Delhi.

He raised income tax-exemption limits to Rs30,000 a year from Rs28,000 and allowed interest from savings to be tax-free up to Rs10,000 a year, up from the earlier Rs7,000.

Import duties were cut for items including car components, caustic soda, industrial diamonds, silicon wafers, telecommunication components and life-saving drugs.

Mr Singh said the changes were expected to result in a revenue loss of Rs1.25bn to the federal government and Rs3.04bn to the states.

Oil boom in CIS may attract $85bn

By Frances Williams in Geneva

THE former Soviet Union is on the verge of a massive foreign investment boom in the oil, gas and minerals sector, according to the United Nations Economic Commission for Europe.

It estimates that up to $85bn (£55bn) of foreign capital may flow into the Commonwealth of Independent States as a consequence of deals signed between 1990 and early 1993.

While this huge inflow will be spread over decades, initial investment over the next four years could reach almost $10bn, the ECE believes.

This is double total foreign investment so far in CIS countries in all industrial sectors combined.

Of the 39 projects identified by the ECE report*, 22 are in Russia and eight in Kazakhstan. Over half involve American or British companies. The biggest to date is a deal between British Gas and Agip of Italy with the government of Kazakhstan, entailing investment of $6bn during the first 10 years and up to $20bn over 40 years.

The ECE notes that most of the projects are in the oil and gas industries. "There is considerable scope for further large-scale investments in the CIS's still under-exploited mineral resources sector, including in gold, copper, coal and aluminium."

The UN body has also recorded a steady increase in the total number of foreign investment projects in the CIS and eastern Europe. Total foreign investment registrations in the former Comecon area more than doubled, from 31,000 at the start of 1992 to 64,200 at the end. In the CIS alone, registrations trebled from 4,200 to 13,250.

The ECE says foreign investors are increasingly shifting away from establishment of joint ventures towards buying existing companies or setting up wholly-owned subsidiaries. In several eastern European countries, over half the value of total foreign direct investment is now accounted for by privatisation.

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Brazilians look abroad for roads

By Christina Lamb in Rio de Janeiro

THE Brazilian government is hoping to attract foreign capital to carry out a massive roadbuilding and repair programme – the first time the country has allowed private sector participation in the provision of public services.

The programme, which envisages private sector investment of $1.5bn (£974m) in the next three years, will be launched on Monday with bidding for the maintenance and operation of the Rio-Niteroi bridge, the 14km suspension bridge which links the two sides of Rio de Janeiro, and the Via Dutra, the 429km road between Rio and São Paulo, Brazil's two largest cities.

Explaining the decision Mr Alberto Goldman, transport minister, said: "Lack of investment over the last decade has completely destroyed our road and rail system, making freight very expensive and affecting our exports... The government has no money so the only answer is through concession."

Brazil depends unusually heavily on roads, which carry 70 per cent of cargo. However, less than half of the 50,000km of federal highways are in reasonable condition. Mr Goldman says Brazil needs to repair 2,000km-3,000km a year just to prevent the situation worsening, but last year only 1,000km were repaired.

In his recent economic plan, President Itamar Franco made roads a priority, doubling investment to 0.6-0.7 per cent of GDP, to repair 6,000km this year in a project that will create 110,000 jobs. The extra money will come from a new tax on fuel imports, expected to raise $600m, with $300m from the World Bank.

Mr Goldman says this is "nowhere near sufficient" and plans to open to concession 7,500km of roads for repair and maintenance this year.

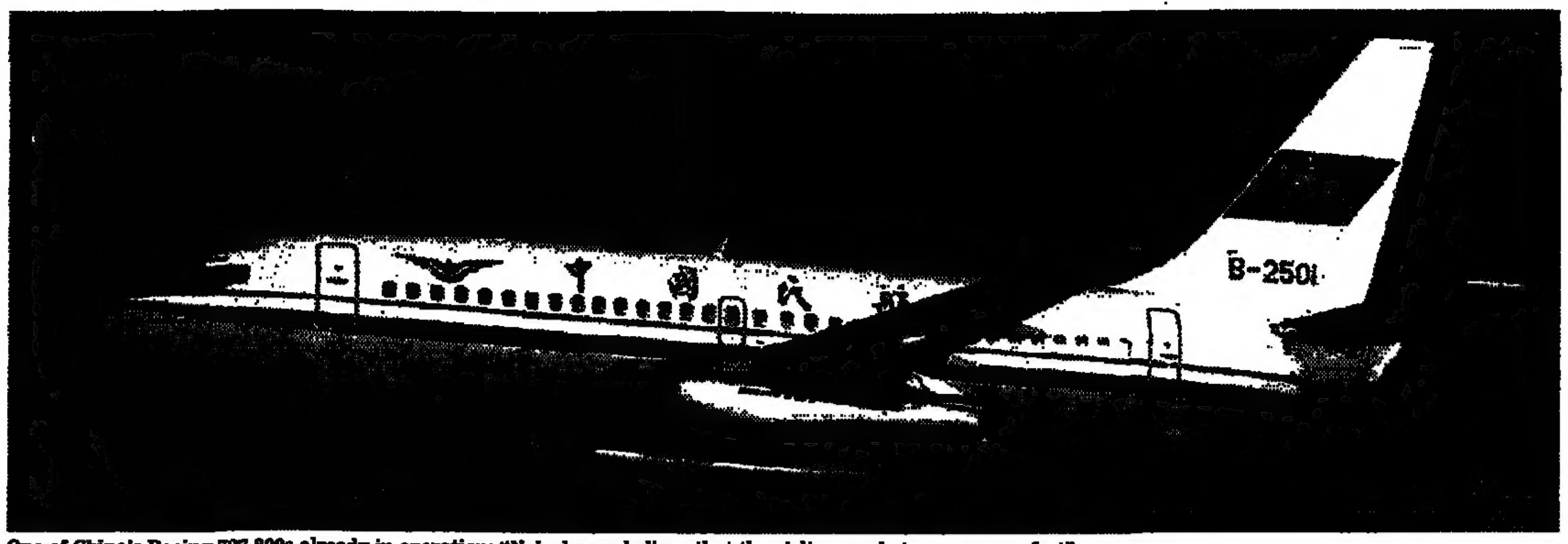
Ukraine wants Russia to pay world prices

By Chrystia Freeland in Kiev

THE Ukrainian government is preparing a decree which would shift trade with Russia to world prices on July 1, according to Ukrainian officials. If implemented, the measure would bring a sharp shock to Ukraine's already faltering economy, but in the long term it would be likely to assist market reforms in the two neighbouring Slav states.

Mr Ivan Herts, Ukrainian minister for foreign economic relations, said he had prepared a decree that would oblige Russia to pay world prices for goods and services, including the transit costs of oil and gas, which it exports through Ukraine. In exchange, Mr Herts expects Russia to raise the prices it charges Ukraine for energy to international rates.

The decree will be debated by cabinet on May 10.



One of China's Boeing 737-200s already in operation: "Nobody can believe that the airline market can grow so fast"

China ready to buy 47 Boeings

By Tony Walker and Lynne Curry in Beijing

CHINA expects to buy at least 47 Boeing passenger aircraft this year at an estimated cost of $1.6bn (£1.03bn), among other orders for aircraft such as the European Airbus and the Fokker-100.

Mr Ye Yigan, president of the China Aviation Supplies Corporation (CASC), estimated this week that Chinese demand, mostly for passenger aircraft, would average about 40 a year for the foreseeable future.

"I believe China will purchase more this year than in 1992, when domestic passenger and freight transport volumes jumped by 28 per cent over 1991," Mr Ye told the English-language Business Weekly.

China's huge demand for new aircraft reflects a surge in traffic – passenger numbers have grown by at least 20 per cent annually since 1984 – coinciding with the country's "open door" reforms and a boom which produced an economic growth rate last year of nearly 13 per cent.

China's Boeing orders this year include 20 150-seater 737-200s with six options, and one Boeing 757-200.

The Chinese are also reported to have signed for six new-generation 777s to be delivered in 1995.

Boeing deliveries to China in 1992 will account for about 14 per cent of the company's total. It expects China to purchase about 800 of its aircraft over the next 15 years.

European Airbus also recently clinched a deal for 12 aircraft worth about $1bn, with options for about a dozen more.

"The market is exploding," said a western supplier of aircraft technology this week. "Nobody can believe that the airline market can grow so fast." Fuelling the boom is the rapid growth in new airlines. At least 42 airlines, including six big carriers, are now operating in China, with three more awaiting approval.

Mr Ye said that as well as buying new aircraft, CASC was importing more of such items as navigation aids to upgrade facilities at dozens of airstrips around the vast country. He estimated that since 1980 China had imported aviation supplies worth $10bn.

Among other foreign aircraft makers engaged in the China business are McDonnell Douglas of the US, which has been involved in a joint venture in Shanghai since the mid-1980s; and Saab-Scania of Sweden, which is negotiating with the Xian Aircraft Corporation to produce the 100-seat Saab-2000.

The sales boom and increasing talk of co-production deals coincide with publication of a fairly gloomy assessment of the Chinese aviation industry in the official Outlook magazine which posed the question: "What is wrong with Chinese civil aviation?"

The magazine reported big increases in activity, including a surge last year of 30 per cent in passenger traffic, and purchases of some 56 aircraft. But the article concluded: "Just as the old saying goes, 'we've bought the horse but can't afford the saddle'.

"Ground facilities, including communications systems, radar navigation and weather forecasting, cannot cope with the rapid increase in numbers of planes," it added. "Maintenance is another problem, and so, too, is trained staff. An investigation into a plane crash last year showed the pilot had been overworking for several months."

As an illustration of the problems of overwork and exhaustion, the magazine quoted this exchange between a pilot and hostess. "Why can't you smile when you serve the passengers?" The young woman replied: "I've no smile left. I work extra hours every day. I'm too tired. I only want to cry."

Iveco in talks on joint venture with Nanjing

By Kevin Done, Motor Industry Correspondent

IVECO, the commercial vehicle subsidiary of Fiat of Italy, is negotiating a joint venture in China to produce light commercial vehicles with Nanjing Motor as part of the expansion of its operations in Asia.

Mr Giancarlo Boschetti, Iveco chief executive, said final agreement on the Chinese venture was expected to be reached in the summer.

Around 6,000 Iveco Daily light commercial vehicles (3-6 tonnes gross vehicle weight) were produced by Nanjing Motor last year under an existing licensing deal established in the mid-1980s.

The planned joint venture would raise capacity to around 60,000 vehicles a year, and local content would be increased from 50 to around 90 per cent.

Iveco would take a minority equity stake in the venture.

Mr Boschetti said Iveco wanted to increase its operations in Asia and was aiming to use the venture in China as well as Ashok Leyland, its minority-owned affiliate in India, to export to other parts of the region.

Separately, Iveco has signed a licensing agreement with Halla Engineering and Heavy Industry in South Korea to produce heavy duty trucks, chiefly for off-road use in the construction industry, and is planning to assemble a small volume of light commercial vehicles in a joint venture in Vietnam.

Around 250 Iveco vehicles will be produced in South Korea this year, to rise to 1,000 a year by 1997.

The group is transferring to India the assembly line for the former UK-built Iveco Ford Cargo, which has been replaced by the new generation EuroCargo truck range at the Langley plant west of London.

Output of the former UK-built Cargo is due to begin in India in November as part of a four-year plan to renew the Ashok Leyland product range. Products will be badged Ashok Iveco.

US links Gatt deal to better EC access

By David Gardner in Brussels

THE US requires better market access for its agricultural exports to the EC in order to conclude a Uruguay Round deal, Mr Mike Espy, US agriculture secretary, said yesterday.

Following meetings in Brussels with Mr René Steichen, EC farm commissioner, and Sir Leon Brittan, EC trade commissioner, Mr Espy said the issue of market access was left "largely unresolved" by last November's EC-US breakthrough in Washington on farm trade.

The US agriculture secretary said the administration had no wish to reopen the Washington agreement, which staved off a transatlantic trade war. But in order to conclude an agreement under the General Agreement on Tariffs and Trade (Gatt) "we need better market access," he said. He would not be drawn on whether the US was seeking a managed trade solution, guaranteeing it market share, and merely said officials from both sides would be looking at the issue of access.

He also said it was "time-urgent" for the EC to implement the Washington agreement on oilseeds, hinting that otherwise the powerful US soya industry would press for the $1bn sanctions withdrawn last November to be reinstated.

Mr Steichen emphasised that "their interpretation is different from ours" on market access. "The US wants fixed markets now," he added, pointing out that the Uruguay Round final act mentioned only market "opportunities".

Senior Commission officials said it would be almost impossible to get EC member states to agree on any guarantees for market access, beyond the commitments already entered into under the Washington agreement and last May's reform of the Common Agricultural Policy – already facing opposition from France, the EC's main food producer and exporter.

Mr Steichen said the EC should adopt the oilseeds part of the Washington agreement – separate from the Uruguay Round proper – by next month. He emphasised that if France continued with its opposition, it could be outvoted.

"This is not a question of unanimity. It will be settled by a qualified majority" of member states, he said.

Mr Espy nevertheless said he would be reporting to US President Bill Clinton that a conclusion to the Round was possible.

South Africa in Gulf trade link

By Mark Nicholson in Cairo

KANOO, one of the Gulf's leading trade and shipping groups, yesterday signed a groundbreaking agreement in Bahrain with Omega Investment, a South African business consultancy, to encourage direct trade and investment between the republic and the Gulf – signalling a shift away from the Gulf states' enforcement of trade sanctions against Pretoria.

Both sides said they hoped the agreement would marry the Gulf states' hunger for investment in high-technology manufacturing to South Africa's desire to formalise overt trade ties with Middle Eastern countries. Trade has previously been handled essentially through third parties.

Kanoo will act as Omega's sponsor in Bahrain but, according to Mr Michael Parsons, general manager, will try to promote links between a range of Gulf and South African companies. The agreement's first fruit will be mutual trade and investment missions between Bahrain and the republic.

The deal is the first formal attempt to improve trade links between the two regions, but caps growing interest from Bahrain in cultivating links with South Africa. Gulf Air, the Bahrain-based Gulf airline, has in the past year begun flights to Johannesburg, while Flight Star, a South African charter airline, has won reciprocal rights to fly into Manama.

Mr Denis Worrall, director general of Omega and former South African ambassador to Britain, said businessmen travelling with him on a 12-day visit to Abu Dhabi, Dubai and Bahrain were encouraged by opportunities in retailing, air conditioning manufacture and food processing. Petrochemical exports are sure to dominate any expanded trade.

UK-India trade drive under way

By Michael Cassell, Business Correspondent

AN Anglo-Indian initiative to step up trade, following the January visit to India of Britain's Prime Minister John Major, will be launched in London today.

During his Indian tour Mr Major and Mr P V Narasimha Rao, his Indian counterpart, announced moves aimed at greater economic co-operation between the two states.

Mr Major called on business communities in both countries to consider measures, with the help of government, to improve two-way trade. He asked Mr Robert Evans, chairman of British Gas, who was with the prime minister's tour party, to head the new initiative.

Dr J J Irani, managing director of Tata Steel and president of the Confederation of Indian Industry, is leading the Indian effort.

Mr Michael Heseltine, trade and industry secretary, whose department is leading a drive to increase UK exports by promoting partnership between government and industry, will attend today's launch of the Indo-British Partnership Initiative.

Rao: liberalising trade

Major: appealed to business communities

Britain sells nearly £1bn ($1.54bn) worth of goods to India, which has a small trade imbalance with the UK. New Delhi has committed itself to a new era of trade liberalisation.

Since the visit, British Gas has acted as the UK catalyst – with the help of the south-east Asia desk at the Department of Trade and Industry – to bring together a number of "patron" companies to spearhead the initiative.

Companies already signed up include British Aerospace, Cadbury Schweppes, GEC Alsthom, Inchcape, National Power, Rolls-Royce and Unilever. Representation will be at chief executive or senior level and member companies will each contribute to running costs.

Members will be organised along industry sector lines and will form working groups to analyse potential markets and ways to exploit them. The effort will be regionally based, with local Department of Trade offices, chambers of commerce and the Confederation of British Industry providing back-up.

Important sectors identified for examination include power generation, telecommunications, food processing, banking and financial services, oil and gas, engineering, textiles and healthcare.

The results of the work will be brought together and the prime ministers will be given proposals for enhancing trade between the two countries early next year.

A UK spokesman emphasised the initiative was intended primarily to assist medium-sized and small companies without the necessary resources to tackle the Indian market. "The really big companies can look after themselves. The intention is that other businesses should be able to use the muscle of big companies to get into a market with huge potential."

NEWS: UK

The Irish/American connection

The St Patrick's Day Parade, New York

- Over 40m US citizens claim Irish descent – about 10 times the population of Ireland, north and south
- The US is the single most important source of international investment for Northern Ireland
- In the last five years US companies have invested over £350m in Northern Ireland, creating over 4,400 new jobs
- Some 35 US companies now employ over 8,500 people in the province
- The US companies employ about 9% of the total manufacturing workforce in Northern Ireland

MBO secures 'leading edge' deal with employees after collapse of Anglo-Dutch Daf

Leyland workers accept pay freeze

By Kevin Done, Motor Industry Correspondent

THE workforce at the Leyland Daf truck assembly plant at Leyland, Lancashire have agreed to a pay freeze to the end of 1994 and to a package of far-reaching reforms in working practices in support of the management buy-out bid to rescue the plant.

The MBO team, led by Mr John Gilchrist, the managing director, is the front-runner to take over the Leyland Daf truck operations, which went into administrative receivership in February as part of the financial collapse of Daf, the Anglo-Dutch commercial vehicle maker.

Around 700 jobs at the truck assembly plant would be saved through the proposed management buy-out.

The MBO bid does not include a further 350 Leyland Daf jobs in Leyland at the nearby components plant and technical centre and test track.

Mr Gilchrist said of the deal last night: "These arrangements and ways of working are at the leading edge of European manufacturing practices."

The deal on working practices incorporates many of the reforms already introduced or sought by other vehicle makers in the UK.

The deal on flexibility over hours is expected to set a new standard in the motor industry in the UK, with agreement for working hours to be varied by up to 20 per cent a week – without overtime compensation.

The working week has been set at 37 hours a week, but hours worked up to 45 hours a week would also be paid at standard time without any overtime pay. If weekly hours are reduced to 29 hours workers would receive a day off at basic pay.

Pay was last increased at the plant by 3.5 per cent in January, the first increase since September 1990. The new pay freeze will apply to the beginning of 1995.

● JAGUAR, the UK luxury carmaker, has increased production by 56 per cent in the first four months of the year, helped by a recovery in demand in the US, its single biggest market.

Jaguar sales in the US rose by 22 per cent last month to 1,011. Its US sales in the first four months of the year at 3,572 were 27 per cent higher than a year ago. The company said yesterday that its sales in the US had been boosted by the offer to buyers to return cars within 30 days if they were not satisfied. The recovery in sales in the US and in some other markets such as the UK and Germany has allowed Jaguar to increase production to 9,953 in the first four months from 6,391 in the same period a year ago.

Arms-for-Iraq inquiry hears of secrecy debate

By Jimmy Burns

THE culture of secrecy which was seen by critics to govern Whitehall policy formulation during the 1980's came under fire yesterday during the first day of the public hearings in the arms-for-Iraq inquiry.

In a forceful exchange, Lord Justice Scott who is heading the inquiry, asked a former senior foreign office official whether he thought it was right that official guidelines governing defence related sales to Iraq and Iran should have been kept from parliament for nearly a year.

Lord Justice Scott asked Mr Stephen Day, a former head of the Foreign Office's Middle East Desk: "Looking at the map more broadly would you not say that the British public and parliament were entitled to know about these important matters...to know about the guidelines?"

Mr Day denied that he had personally received any instructions that policy should be kept secret. But he confirmed that a decision had been taken by ministers in 1984 that new guidelines governing exports should only be allowed to "trickle out" to parliament so as to minimise any disruption they might have on trade with Iraq, and relations generally with the Arab world.

The guidelines were drawn up after the Foreign Office had expressed concern about the ammount of defence related UK material which was finding its way to the Gulf.

However, the inquiry heard that a recommendation by Sir Richard Luce, then Foreign Office minister of state, that the new guidelines should be announced "robustly and positively" to the House of Commons and in briefings to the media was never adopted.

Under close questioning from the counsel for the inquiry, Miss Presley Baxendale QC, Mr Day said: "Certainly Sir Richard Luce, who visited Baghdad, and other British officials were under considerable pressure to impose an embargo on Iran and step up our supplies to Iraq. We didn't want to reopen that by giving the appearance of a major change in policy."

Earlier Sir Richard Luce who served as Minister of State at the Foreign Office between 1983 and 1985 told the inquiry that his department had found it increasingly difficult to defend an an unannounced policy in the early 1980's that only "non-lethal equipment" could be sold to Iran and Iraq.

UN to be pressed on Bosnia plan

By Ralph Atkins

THE MINISTRY of Defence believes Britain's contribution to any United Nations peacekeeping force in Bosnia could be met from existing UK troop levels – in spite of concern expressed by a senior army general and MPs' pleas for defence cuts to be reviewed.

However, ministers are expected to push at the UN for a commitment to troops from different countries being rotated according to a pre-agreed timetable.

Adding to the pressure on the government, General Sir David Ramsbotham, the Army's top personnel officer, said yesterday: "I don't believe we can support continuous deployment [in the former Yugoslavia] without seriously overstretching our resources. . . We will have to cope but I frankly believe we have to be very careful about committing that number of people."

Mr Malcolm Rifkind, the defence secretary, believes a rotation scheme would encourage other countries to take part in a UN operation, easing fears amonst Tory MPs of the UK being sucked into an open-ended commitment.

Ulster secretary meets US leaders

SIR Patrick Mayhew, Northern Ireland secretary, yesterday met senior US politicians in a bid to win backing for British policy in Ulster and deflect sympathy for republican fund-raisers.

Sir Patrick, who had meetings with State Department officials, and was expected to meet the Speaker of the House of Representatives Tom Foley and Senator Edward Kennedy, is also understood to have reiterated UK opposition to the sending of a US "peace envoy".

The British government has, however, made it clear that it would accept a delegation with a less specific role.

Britain is also concerned about the adoption of the so-called "MacBride principles" for company investment. The principles are meant to promote employment of Catholics but Britain argues that existing "fair employment" laws are sufficiently tough.

Speaking earlier in New York, Sir Patrick said Noraid, the US fundraising group which backs a united Ireland, is a declining force unable to collect money for the provisional IRA.

Although the IRA claimed to be freedom fighters Sir Patrick said all they were fighting for was "freedom from the common obligations of humanity".

In the 1980s Noraid raised millions of pounds in Irish pubs and clubs in and around New York, but latest official US State Department figures show the group collects little more than £200,000 a year.

"Noraid is a declining force and I hope it will disappear completely. The people of the US have become increasingly aware what such 'freedom fighting' amounts to – the maiming and murdering of innocent civilians," he said.

Sir Patrick said he thought the fall-off was because Americans now understood what the IRA stood for and that they were the cause of terrorism.

The bombing of the World Trade Centre in New York had exposed the harsh reality of terrorism. "I think there is a much greater sense of reality, but we have a long way to go."

CONTRACTS & TENDERS

Press plans stronger controls

By Raymond Snoddy

THE NEWSPAPER industry yesterday outlined steps to strengthen self-regulation in an attempt to head off government-imposed controls.

The plans range from ensuring a non-press majority on the Press Complaints Commission to the creation of a telephone helpline for the public.

The helpline, run by the commission, will give immediate advice to anyone fearing that the code of practice governing journalists' behaviour was about to be breached. It will also give telephone and fax numbers of editors involved. Mr Harry Roche, chairman of the Press Standards Board of Finance (Pressbof) which co-ordinates the newspaper and magazine industry's actions on self-regulation, said yesterday it was "totally opposed to statutory regulation".

However, it recognised the need for a responsible press commanding the respect of the public.

The changes announced yesterday come in response to proposals for a statutory press complaints commission from Sir David Calcutt, who chaired the commission on the press and privacy. The Commons national heritage committee has advocated a statutory press ombudsman, and a bill put before parliament by Labour MP Mr Clive Soley proposed a press authority with statutory powers.

● The ITV companies asked the government to look beyond the debate on the future of the BBC and instead produce "a new blueprint for a new era".

In their response to the government's consultative paper on the future of the BBC, the ITV companies call for changes to ownership rules covering television. They urge the closing of the "loophole" that allows Mr Rupert Murdoch's News International to own 35 per cent of the British national press and 50 per cent of British Sky Broadcasting, the satellite television venture in which Pearson, owner of the Financial Times, has a stake.

The companies also want parity of regulation for all commercial broadcasters in the UK so that all cable and satellite channels available in the UK would, like ITV, have to meet the 51 per cent quota on European programme content.

Exporters fear appreciating sterling will abort devaluation-led recovery

By Emma Tucker, Economics Staff

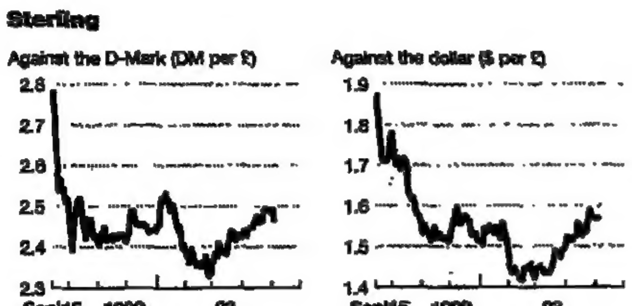
"IF THE government allows the pound to strengthen any further," said the finance director of one engineering company last week, "then it must be out of its tiny mind."

He is not alone. With the pound creeping steadily higher against the dollar and European currencies, Britain's exporters have become alarmed that the recently won competitive gains of devaluation are being put in jeopardy.

Scarcely six months have passed since sterling left the European exchange rate mechanism. After its initial plunge on September 16, the currency drifted downwards to hit a low of DM2.31 on February 24th, a devaluation of about 17 per cent from its DM2.78 floor in the mechanism.

For exporters, the pound's decline was a gift from heaven. Sterling-priced goods were instantaneously cheaper, allowing British industry to push for an ever wider share of world export trade and raising hopes for an export-led domestic recovery.

The benefits are already apparent. Last week the Confederation of British Industry, the employers' group, said exports were leading the country out of recession. It reported that in the last four months there had been a significant



Source: Datastream

increase in demand for exports, with manufacturers expecting the next four months to bring the strongest growth in orders and output for four years.

Since February, however, the pound has recouped more than 5 per cent of its value and last month broke through DM2.50, its highest level since September. Sir David Lees, chairman of GKN, the engineering company, warned that another 5 per cent "would be worrying".

Mr Miles Vere-Hodge, director of corporate finance at TI, the specialist engineering group agrees: "I am concerned that if the pound goes much further than it is now, it will start to hurt exports, particularly with countries like France and Germany in recession and the US becoming more introverted.

"The government seems to be giving up some of the benefits that we gained from September's departure from the ERM," he added.

Industrialists can draw little comfort from the government's stance. Mr Lamont, the chancellor of the exchequer, has said that he does not have a target for the exchange rate but he has made it clear that he favours a strong currency.

In Luxembourg two weeks ago he indicated that the government would like to see sterling appreciate, partly to offset inflationary pressures. "I welcome strongly the recent strength of sterling," he said.

Prospects for another base rate cut, perhaps to offset the pound's rise, are also weak. In his Budget speech in March, Mr Lamont said base rates of 6 per cent were consistent with a sustainable recovery.

The Treasury points out that although the pound is now somewhat higher than it was in February, there has still been a significant devaluation compared with September. Ministers also insist that competitiveness is more to do with controlling costs and keeping down wages.

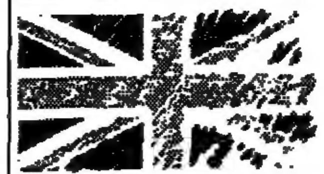
Mr Ian Thompson, economist at the Engineering Employers' Federation, says manufacturers always prefer a lower exchange rate and recent concern about the pound's appreciation is exaggerated.

"Our view is that the bulk of the devaluation benefit is still there, even at the present exchange rate. The pound would have to increase a lot before we lost that benefit," he says.

The worry for exporters is that the pound is more likely to appreciate than depreciate over the next few months. Interest rates in Germany are on a downwards path, making the D-Mark a less attractive currency to hold, the UK economy is stirring out of recession, and base rates may have hit bottom.

Mr James Barty, economist at merchant bank Morgan Grenfell, believes the exchange rate is about right. "There are worrying signs that the government wants sterling to strengthen significantly. This could damage the trade position and sustainability of the recovery. Do they never learn?" he asks.

Britain in brief



Water chief found dead in London

The body of water chief Sir Roy Watts was found in the Thames in London a week after he disappeared.

Sir Roy, chairman of Thames Water, vanished after learning that he was suffering from Parkinson's Disease.

His body was recovered near Westminster Bridge after being spotted by a river barge crew, police said.

Police were not treating Sir Roy's death as suspicious and it was believed the body was in the water several days.

Sir Roy was last seen by his chauffeur who dropped him off outside his riverside flat in Battersea, south-west London, at 2pm on April 27.

The Doncaster-born executive took over at Thames Water in 1983 and steered the company through privatisation in 1989.

Sikh wins police case

A Sikh police officer accepted £25,000 compensation after Nottinghamshire Constabulary admitted at an industrial tribunal that he had suffered racial discrimination.

The settlement is one of the highest of its kind for a race discrimination case.

The Commission for Racial Equality, which backed the case, said "vigorous action" should be taken immediately by the constabulary to ensure racism is removed from structures, procedures and systems throughout the force.

Construction figures low

Activity in the construction industry remains dangerously low and the workload of quantity surveyors has begun to slow down, according to a survey by the Royal Institution of Chartered Surveyors.

NOW AND THEN: Manchester United, the club with arguably the widest international following in football, took the Premier League Championship at the weekend (left). The 'Red Devils', founded in 1878, last won the league in 1967, with stars such as George Best and Denis Law (right). The club, once devastated by the Munich air disaster of 1958 which killed eight members of the squad, won their latest trophy in front of 40,000 fans on Monday. Manager Alex Ferguson said the next target was European competition. They won the European Cup in 1968. Manchester United plc, Page 22

Quantity surveyors' workloads fell by 0.7 per cent in the first quarter of 1993, compared with a 5 per cent drop in the last quarter of 1992. Workload over the last 12 months has fallen by 13 per cent.

The quarterly survey is based on a questionnaire of more than 200 chartered surveying practices. The institution says chartered surveyors in quantity surveying are the professionals most likely to see the earliest evidence of new construction activity.

BMW link to pit scheme

The Union of Democratic Mineworkers has joined forces with Vista Partnership, a private consortium, to launch a rescue plan designed to create up to 900 jobs for ex-miners in new environmental projects

The two sides announced yesterday they had formed a new company - Vista-UDM Ltd - which will build domestic waste recycling and disposal facilities on the site of abandoned pits initially.

The schemes involve the creation of a plant to convert unsorted waste into an absorbent aggregate used in industry, construction and land reclamation as well as a car recycling business in collaboration with the German automakers BMW.

The new company estimates it will produce annual net exports worth around $50m.

Formal negotiations on the projects are scheduled to begin with British Coal on May 13. The union expects to secure grants from the British government and the European Community to establish the recycling business.

Rents row at Heathrow

International airlines operating from Terminal 3 at Heathrow airport have attacked BAA, which operates London's airports, for charging 'excessive' rents.

The Airline Operators' Committee said that the rents charged by BAA for office space at Heathrow are more than twice the level of property rents outside the airport.

The airlines claim that rents at Heathrow's Terminal 3 have doubled in some cases during the last 5 years, while rents outside the airport have fallen steeply.

BAA said that it had agreed to look at off-airport comparisons in setting future rental levels, and that it was currently conducting a survey of tenant opinions.

BT cuts line link-up costs

BT announced cuts in the cost of line connection for both business and domestic customers. The changes bring the cost of installing the first phone for a business with a single line down to £116.33, including VAT, from £179.49.

The corresponding reduction for home lines is from £163.75 to £116.33. The cuts will be effective from June 1 this year. The new prices are necessary for BT to comply with its agreement with Oftel, the telecommunications regulator, to keep price changes on a selected range of services to 6.25 percentage points below the rate of inflation.

Further cuts are expected to ensure the telecomms company continues to comply with the present agreement which ends in July. For four years starting in August it will be expected to keep changes to 7.5 per centage points below the rate of inflation, promising further cuts in telephone charges.

BT also announced a new promotional offer. During June, customers calling for more than four minutes will have double the time for the normal price. The offer applies to direct-dialled local calls at cheap rate at certain times.

BUSINESS AND THE ENVIRONMENT

Doxford International at Sunderland is striving for improved environmental standards

Designer labels for buildings

A voluntary standard is giving developers the chance to mark their environmental progress, reports Chris Tighe

Trevor Silver, director of Doxford International business park in Sunderland, northeast England, would have liked a windmill to power the landscaped water features but a payback of 15 years or more was a non-starter with the accountants.

The shrubs and trees, flourishing in landscaped beds around the first phase of offices, will provide a pleasing green backdrop, but the police would have preferred more security-conscious concreted surfaces with unimpeded views.

The development lacks parking space for bicycles – an omission which cost one credit on the Building Research Establishment's "green" office rating – but letting agents are far more interested in the number of car parking spaces per square foot of office than in pedal power.

While frequently lauded as a good thing, environmental ideals are not always easy to reconcile with harsher economic and social reality, especially in a recession.

Compromise, as the first phase of the £125m business park illustrates, is inescapable. But the Sunderland enterprise zone development, the first to be assessed under the BRE's recently updated Environmental Assessment Method for New Offices (Breeam), nevertheless suggests there are commercial as well as ethical attractions in striving for improved environmental standards.

Silver says that Akeler Holdings, Doxford International's parent company, noticed a couple of years ago that institutional investors were beginning to ask for a "green statement" for new developments. Nobody, however, seemed to have much idea what that meant.

Akeler became convinced that protecting the environment was becoming commercially, as well as morally, worthwhile. Environmental quality, it decided, would be a valuable marketing tool in promoting its planned Sunderland business park, both by attracting potential tenants and by convincing them the space they leased would be ahead of, not behind, future environmental legislation.

So the company set about finding a standard against which to measure its aspiration that the Doxford development, sited on low-grade agricultural land on the urban fringe, should result in net environmental gain. The standard it used was an upgrade of the BRE's original office Breeam scheme which, since its inception in July 1990, has attracted developers of 25 per cent of all new office space in the UK, even though it is voluntary and self-financing.

The updated Breeam, launched last January, has already attracted 15 applications for assessment of new schemes, mostly at design stage. BRE, an executive agency of the Department of the Environment, is delighted at striking a chord with developers.

"We certainly see with the update of the Breeam scheme we've moved forward the boundaries of standards," says Paul Bartlett, head of BRE's Environmental Assessment and Futures section. A building's environmental performance is not necessarily visible, he says. Breeam acts as a label.

The updated office scheme, covering global, local and indoor issues, offers developments up to 42 credits for a standard list of features, assessed by independent consultants licenced by BRE. An overall rating of fair, good, very good or excellent is also awarded. Doxford business park's first phase was rated "very good"; two of its office blocks won 34 credits, the others 33.

Provision and use of buildings has a greater impact on the global environment, says BRE, than almost any other human activity, excepting population growth. For example, it estimates buildings now account for around 15 per cent of UK CFC emissions, contributing to depletion of the ozone layer, and half of carbon dioxide emissions, adding to the greenhouse effect.

The Breeam scheme aims to raise awareness of buildings' impact on the environment, to stimulate market demand for environment-friendly buildings, to reduce the use of increasingly scarce resources and improve the quality of buildings' indoor environment, hence the health of their occupants.

It tackles CO_2 emissions, acid rain, ozone depletion, legionnaires' disease, noise, water economy, hazardous materials, lighting, ventilation and thermal comfort.

The European Network of Building Research Institutes, of which BRE is a founder member, has decided to adopt Breeam as a basis for Enbreeam, a Europe-wide grading, which will take into account national factors, such as climate and construction techniques.

The Breeam assessment charge, paid by applicants, averages between £3,000-£5,000; the total cost of the environment-friendly features which win credits ranges, says BRE, from 0 to 3 per cent of development costs.

At Doxford's first phase, sold on to Property Enterprise Trust for £18m, Silver estimates the additional cost of environmental friendliness at around £400,000. "That isn't as frightening as it might sound out of context," he says.

Some features, such as highly efficient boilers, offer immediate savings which will be attractive to tenants; quantifiable annual energy savings at Doxford's first phase office blocks are estimated at £7,800.

However, striving for environmental quality may open up new areas of responsibility for developers. Having decided he wanted a landscaped environment – "not Fort Knox" – in which the adjacent community would take pride, Silver has been drawn into worthwhile, but time-consuming, school project work. A dog-owner, he is nevertheless ambivalent about the enthusiastic response to his landscaping from neighbourhood dog-walkers, but sees it as a small price to pay for local goodwill.

Different versions of the Breeam scheme already cover domestic buildings and superstores and a light industrial and warehouse category is being developed.

More radically, environment secretary Michael Howard launched a new Breeam for existing offices last week. "It encourages the market to move in the direction of improved environmental performance. It's a valuable tool in harnessing market forces," said Howard. In the property market of the 1990s, "Breeamed" looks likely to become a familiar word.

WORLDWIDE WATER

A Greek tragedy in the making

Supplies in Athens may dry up, writes Kerin Hope

VASSILEIOS Grivas, deputy director of the Athens water company, points to a precipitous dip on a chart showing reservoir levels in central Greece. He says: "The decline in rainfall is so pronounced over the past six years that we're outside all the statistical patterns. We have to assume the worst."

The prospect that the city's water supply might dry up completely before the end of 1993 is focusing Greek minds on water conservation in an unexpectedly dramatic way.

From the early 1980s, the Mornos reservoir, 190km from Athens, covered almost all the capital's water requirements, estimated at about 1m cu metres daily. But a run of dry winters, together with rising consumption in suburban districts and losses from an ageing distribution network, has shrunk reserves to an all-time low.

Grivas says: "It didn't help that people got wasteful, turning on the hose to wash the terrace. Water prices stayed low and there was an illusion that the Mornos was a boundless resource."

At around 80 litres daily, per capita water use in Athens was still low by comparison with northern European cities. However, since the water company sounded the alarm in January, announcing sharp price hikes for large domestic users, consumption has dropped by almost 30 per cent.

After another dry winter, Athens now survives on water from a drilling programme that draws up to 400,000 cu metres daily from subterranean aquifers. However, water quality has suffered, while there are fears that pumping from aquifers, some underlying densely inhabited areas where groundwater contains pollutants, could lead to contamination of drinking water.

Contractors working on a Dr50bn (£149m) dam project to divert water from the Evinos river, in central Greece, into the Mornos artificial lake have been offered a bonus to complete the job ahead of time, but there is little likelihood that it can be finished before 1996.

Tenders are already out for shipping water in tankers to Athens from southern Greece later this year, using springs that are taxed in summer to augment water supplies to islands overrun by tourists.

While the water crisis in Athens makes headlines, policymakers have ignored the drain on resources from steadily increasing demand by farmers for irrigation. Yet agriculture accounts for more than 70 per cent of water consumption in Greece, compared with about 12 per cent for domestic use.

"The situation is made worse because there's no co-ordinated policy in the countryside"

High EC support prices for crops needing irrigation, such as cotton and maize, encouraged Greek growers to switch from traditional products. Moreover, with politicians unwilling to risk losing votes by charging farmers for water, irrigation costs were kept artificially low.

The result has been a steady drop in ground water levels, leading to increasing salinisation in intensively cultivated areas such as the Thessaly plain in eastern Greece.

"The situation is made worse because there's no co-ordinated policy on water resources in the countryside. Each municipality is responsible for its own drillings, so you may find several tapping independently into the same aquifer, with potentially disastrous results," says Vassilis Katsoupas of the Worldwide Fund for Nature's Greece branch.

The official solution for Thessaly is a controversial project to divert up to 30 per cent of the Acheloos river water flow from western to eastern Greece.

However, opponents of the Dr83bn project, which also calls for the construction of two dams and four hydro-electric power stations on Acheloos, say the diversion will dry out wetlands around Messolonghi on the western coast, a breeding ground for rare birds and a fish-farming centre.

"The issue is not to increase the water supply for agriculture, but to encourage farmers to use less wasteful irrigation methods. With powerful sprinklers, a high percentage of water is lost through evaporation," Katsoupas says.

If managing water resources is an emerging problem for mainland Greece, it has long been recognised on the islands. Chronic water shortages are seen as the leading constraint on raising the quality of tourist facilities.

With the population of smaller islands liable to quadruple at the height of the tourist season, the choice for local authorities lies between investing in a desalinisation plant, often a noisy eyesore in a small-scale environment, or paying high prices to secure an adequate tanker supply.

Per capita water demand rises sharply from around 100 litres daily at a moderate hotel to more than 600 litres daily at a luxury resort.

Large hotels are required to install treatment facilities for waste water, which should create additional supplies for garden maintenance and other uses. Yet hotels on the Greek islands often flout the regulations because it still costs less to pay a high water bill than to keep treatment plants in regular operation.

Beb Jeftic, chief marine scientist at the UN Environment Programme's Mediterranean Action Plan co-ordinating unit, says: "Even on islands, where tourism has replaced farming, aquifers are often depleted and sea water encroaches. The most important way of husbanding resources is to ensure that every drop of waste water is treated by hotels and re-used."

PEOPLE

Poulson to move to Farnell

Howard Poulson, chief executive of Volex, the electrical and electronic connection products group, has been appointed group chief executive at Farnell Electronics, the Harrogate-based electronic components and equipment manufacturer and distributor.

Poulson, aged 50, is expected to take up his new appointment before October. He joined Volex in 1990 as managing director and chief executive and has played an important role in revamping the group.

Having graduated in engineering and metallurgy from Imperial College, London, he entered industry by joining Lucas in 1964 and was technical director of Lucas Industrial Systems between 1981 and 1985. Before joining Volex, he worked for Dobson Park Industries, where he was main board director responsible for the industrial electronics division.

His appointment to Farnell is seen as a further indication that the group, which once had a reputation for being a somewhat introverted business, is now much more outward-looking and determined to continue its expansion.

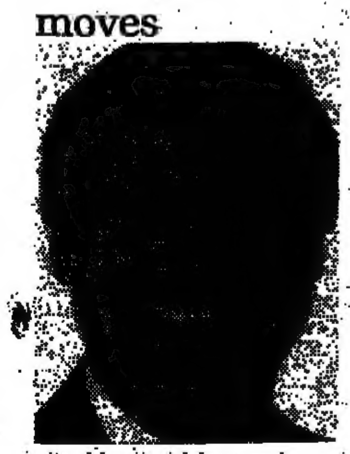
Farnell has been looking for a group chief executive since Richard Hanwell became chairman in June last year in succession to Ray Kidd. Hanwell's arrival was quickly followed by the acrimonious departure of Eric Hall, the previous chief executive of Farnell's manufacturing division.

Since then the new chairman has restructured Farnell's manufacturing division, dividing it into three product sectors, each with its own managing director and with Andrew Lamming as divisional chief executive.

Farnell also announced yesterday the promotion of Chris Emptage, 43, from deputy to managing director of the UK-based *Farnell Electronics Components* company, the largest and most profitable business in the group.

Allan Daniel, currently managing director of FEC, will now concentrate fully on his role as chief executive of the coredistribution division.

Insurance moves



Lloyd's of London has recruited another well-known figure from the City to help implement its much heralded business plan. **Geoff Morgan** (left), 48, is the first ever director of human resources at the Lloyd's Corporation, the body which regulates and administrates the insurance market. Morgan, who will be responsible for personnel and training, is the fifth member of a senior management team, reporting directly to Peter Middleton, chief executive. Previously he spent seven years at Lloyds Merchant Bank, and nine years at JP Morgan, the US investment bank. A psychology and sociology graduate, Morgan started his career with Ford Motor Company.

■ **Robbie Graham** has been appointed deputy group actuary at Commercial Union with effect from July 1. Graham, who is in his early 40s, is a Fellow of the Institute of Actuaries, and currently director of financial management and operations, life assurance, within the UK division of CU. He will succeed Howard Webb as group actuary when Webb retires a year later on July 31 1994.

■ **James Morgan**, formerly chief executive of Highlands Insurance Company, has been appointed md and chief executive of AXA MARINE AND AVIATION.

■ **Adrian Platt** has retired from the group board but remains a director of SEDGWICK Group Development Ltd.

Non-executive directors

■ **Sir Harry Solomon**, the 56-year-old who has recently retired as chairman of Hillsdown, the international food group of which he was a co-founder, has joined the board of FROGMORE ESTATES, a property company.

Sir Harry's connection with the company is through Dennis Cope, who is both chairman of Fairview, a housing subsidiary of Hillsdown, and chairman of Frogmore.

■ **James White**, chairman of the Ashley Group, at The MILLER INSURANCE GROUP.

■ **The Lord Geddes** has retired from FABER PREST.

■ **Alan Brooks**, a director of BPB Industries, at ANGLO UNITED.

■ **Eric Clark**, chairman and md of BICC Cables, at NORTH WEST WATER.

■ **Sandy Saunders** at FARRINGFORD, having stepped down as executive chairman.

■ **Viscount Chandos**, a director of Kleinwort Benson, at CAPITAL AND REGIONAL PROPERTIES.

■ **Richard Eyre**, md of Capital Radio, at METRO RADIO GROUP.

■ **Richard Archer**, Dun & Bradstreet's president for Europe, the Middle East and Africa, at ERDMAN LEWIS.

■ **John Emly** at The FLEMING INCOME & CAPITAL INVESTMENT TRUST on the resignation of Simon Walters.

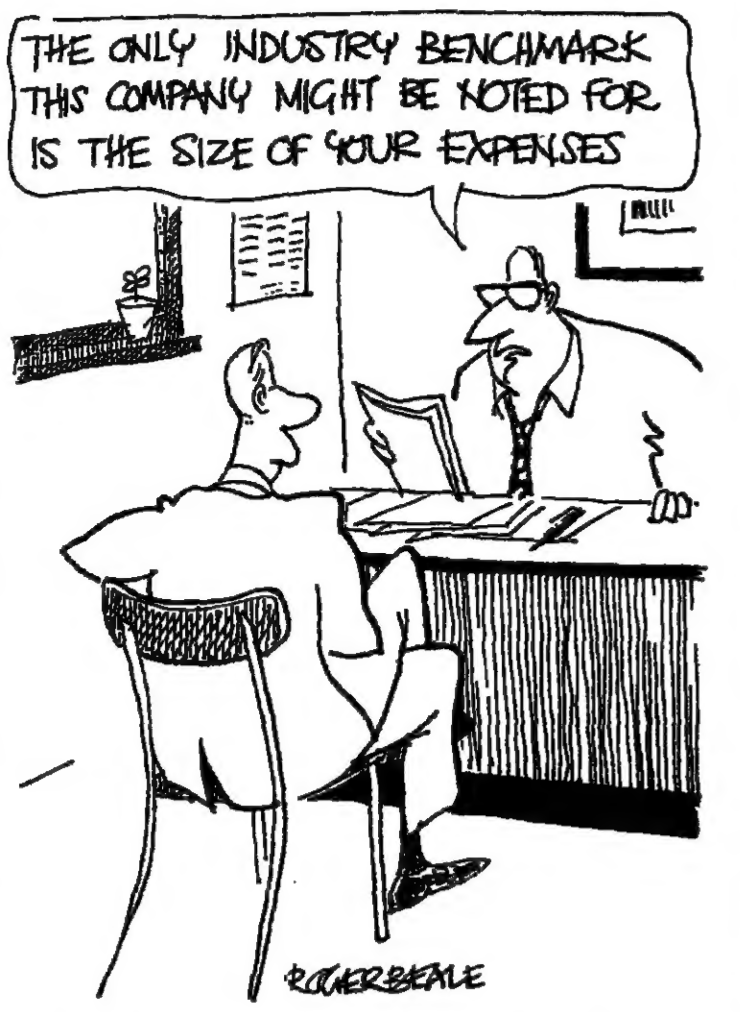
■ **Richard Fitzalan Howard** at The FLEMING FLEDGELING INVESTMENT TRUST; Richard Templeton has retired.

■ **Sir Michael Joughin** has resigned from SCOTTISH HYDRO-ELECTRIC.

MANAGEMENT

Companies are enthusiastically embracing the concept of benchmarking, writes Tim Dickson

A measure of success



What did South-West Airlines of the US learn from studying pit crew performance at the Indy 500? And why did the *Granite Rock company look to auto*mated teller machines (ATMs) for a model to improve their gravel loading techniques? The clue to both answers is benchmarking, a strategic management tool which is currently one of the hottest-selling *management consultancy services* in Europe and North America.

Best defined as the continuous measuring of a company's products, services, processes and practices against those of its most successful competitors, or against companies *recognised as industry leaders*, benchmarking has been around for 15 years. But global competition and the tough markets of the 1990s have sparked a new interest in how it can help companies achieve superior performance.

Benchmarking is increasingly found alongside total quality management and business process re-engineering – two other "big ideas" *being promoted* as the key to greater efficiency – and is being widely applied in the public sector as part of the UK government's market-testing programme.

A recent survey of the top 1,000 UK companies by Coopers and Lybrand and the Confederation of British Industry found that more than two thirds of the 105 respondents from the manufacturing, service and other sectors claimed to practise benchmarking and that 82 per cent of those who do believed it had been successful. (Eighty per cent of Fortune 500 companies "benchmark" in one form or another.) Sixty eight per cent said they were planning to increase investment in benchmarking in the next five years.

The challenge for today's bench*marking evangelists is that the idea* has sometimes promised more in the past than it could deliver: companies which enthusiastically embraced the concept in recent years have too often been disappointed by the results. Consultants therefore tend to stress the depth of the commitment required and the importance of internal preparations before benchmarking begins.

In a crude way Walter Chrysler, the US car maker, was benchmarking when he tore apart a new Oldsmobile model to determine what went into it, how much it cost and how it was made.

But the birth of benchmarking as understood today is generally credited to Xerox, which by the 1980s was using it to confront and overcome the Far Eastern challenge to its dominance in the worldwide copier market. Other big US corporations such as Boeing and Motorola were quick to implement many of the same techniques. Xerox was among the first to appreciate that benchmarking need not be restricted to manufacturing – nor indeed to direct competitors.

It is only recently, though, that the emphasis has moved away from preoccupation with performance measures to finding out what gives leading companies their competitive edge. "In our opinion the subject has been dominated by the search for benchmarks such that 90 per cent of effort has been spent on the creation and analysis of metrics, and 10 per cent on change," observes Victor Luck, head of commerce and industry consulting services at Coopers. "It should be the other way round."

As with all fashionable management techniques, peer pressure and the fear of missing out may have something to do with it. Indications from the market place, though, are that this is not a passing fad.

Arthur Andersen, the accountancy firm, for example, has already invested an estimated $10m (£6.4m) of cash and partners' time in its proprietary and centralised Global Best Practices Knowledge Base. The information – a resource for Andersen's people to use in helping clients rather than a service to be shared externally – is being compiled from external benchmarking studies, from Andersen's surveys (such as cost management in the automotive industry and meter reading in the utilities sector) and from partners' insights.

Between 300-400 partners and managers are involved in compiling the database, which so far has benchmarking information on 18 detailed business processes, ranging from customer satisfaction and processing customer orders to obtaining materials and supplies.

Most experts agree that while companies within the same group can be a useful starting point – and competitors are also an inevitable *focus – benchmarking should not* be limited to like organisations. As Xerox discovered, non-competitors may be more willing to share information on a *quid pro quo* basis. Moreover, the most relevant information is often not the actual numbers but the qualitative information about *how* things are done and in what order.

The insights which South-West *gained by studying pit crews on the* Indy 500 circuit, helped the airline reduce the turnround time of its aircraft (from arrival at the gate to "push back" for the next flight) from 30 minutes to 15 minutes. Granite Rock decided its loading process was a similar challenge to that faced by the banking industry – involving accurate accounting and a need for speed and convenience *for the user. Granite Rock* drivers now use ATM-like cards and the process is simpler, faster and more reliable.

Benchmarking, however, has its limitations. Used solely to emulate rather than beat competitors, the advantages may be short lived. It can be difficult to obtain relevant details about competitors and doing so can be costly in time and money.

It remains to be seen how deeply benchmarking becomes ingrained into western management thinking. After all, however much its disciples say benchmarking is about sharing and co-operation it may smack of imitation or even industrial espionage to others. That said, the likelihood is that benchmarking will leave something of lasting value even after the current enthusiasm has waned.

Examples of benchmarking practice will appear on this page shortly.

How do you rate on the common sense scale?

Adrian Furnham looks at this elusive quality

Einstein defined common sense as the collection of prejudices people have accrued by the age of 18, while Victor Hugo maintained common sense was acquired in spite of, *rather than because of, education.*

Common sense, by definition, is supposed to be the most widely distributed quality in the world and nearly everybody believes they have a good measure of it. Many selectors look for, and all managers are supposed to have, common sense. But what is common sense in the manager's world? And if management is com*mon sense, why bother to teach it?*

The so-called "discipline" of management science often has low status in business schools, partly because the hard men of figures despise the soft waffle of organisational behaviour.

Management science is thought to be a trivial, expensive and pointless exercise in describing or proving what we already know. *All findings are intuitive, unsur*prising and uninformative; worse it is packed with esoteric jargon which obfuscates common sense in the pretence of clarifying it.

But there are serious problems with the common sense argument. First, common sense is frequently contradictory. "Clothes make the man" is at odds with "You can't make a silk purse out of a sow's ear". "*Out-of-sight, out-of-mind*" and "Absence makes the heart grow fonder" also seem contradictory. Although it is possible that both are true under different circumstances, common sense does not tell you which.

Second, if all management is common sense, nothing can be the result of faulty reasoning. Research in the social sciences is *full of such examples and it would* not be surprising if some aspects of management science were the same; that is, the opposite of common sense.

It could be argued that current management knowledge is absorbed from management science as it is frequently popularised in newspapers and magazines. Thus, ironically, common sense could be the result of the ideas of management science being commented on in the popular press. A frequently discussed finding from research cannot remain non-obvious to managers, any more than a joke can remain funny to people who hear it again and again.

If all management is common sense and most people supposedly have this curious trait, why do they disagree on issues, processes and procedures?

When managers try to specify the "competencies" essential for high-flyers in a company, many are tempted to include common sense, despite the fact that it is almost impossible to define, mea*sure and select. It may indeed be* like the search for the Holy Grail – long-standing, complicated and unsuccessful.

But why not test yourself? Are the following statements true or *false? Mark them accordingly and* see how you rate on the common sense factor.

Common sense is *supposed* to be the most widely distributed quality in the world

1. If you pay someone for doing something they enjoy, they will come to like this task even more. T/F
2. Most people prefer challenging jobs with a great deal of freedom and autonomy. T/F
3. Most people are more concerned with the size of their own salary than with the salary of others. T/F
4. In most case, workers act in ways that are consistent with their attitudes. T/F
5. In bargaining with others, it is *usually best to start with a moder*ate offer – near to the one you desire. T/F
6. In most cases leaders should stick to their decisions once they have made them, even if it appears they are wrong. T/F
7. When people work together in groups and know their individual contributions cannot be observed, each tend to put in less effort than when they work on the same task alone. T/F
8. Even skilled interviewers are sometimes unable to avoid being influenced in their judgment by factors other than an applicant's qualifications. T/F
9. Most managers are highly democratic in the way that they supervise their people. T/F
10. Most people who work for the government are low risk takers. T/F
11. The best way *to stop* a malicious rumour at work is to present covering evidence against it. T/F
12. As morale or satisfaction among employees increases in any organisation, overall performance almost always rises. T/F
13. Providing employees with specific goals often interferes with their performance: they resist being told what to do. T/F
14. *In most organisations, the* struggle for limited resources is a far more important cause of conflict than other factors such as interpersonal relations. T/F
15. In bargaining, the best strategy for maximising long-term gains is seeking to defeat one's opponent. T/F
16. In general, groups make more accurate and less extreme deci*sions than individuals.* T/F
17. Most individuals do their best work under conditions of high stress. T/F
18. Smokers take more days sick leave than do non-smokers. T/F
19. If you have to reprimand a worker for a misdeed, it is better to do so immediately after the mistake occurs. T/F
20. Highly cohesive groups are *also highly productive.* T/F

Correct answers to questions 1-5 F, 6-10 T, 11-17 F, 18-19 T, 20 F. Score of five or less, why not try early retirement? Score of six to 12 perhaps you *should consider an MBA. Score of* 13 to 15, pretty average but no room for gloating. A score of 16 or above – yes indeed, you do have that most elusive of all qualities: managerial common sense.

Common sense might be a desirable thing to possess in the world of management, but do not kid yourself that it is widespread.

The author is head of the Business Psychology Unit at University College London.

Concert

AIDS Quilt Songbook in San Francisco

When the American baritone William Parker found his career, as well as his body, ravaged by the AIDS virus, he again turned to song and conceived the idea for *The AIDS Quilt Songbook*. He commissioned from leading composers and poets a still-growing collection of songs that, like the panels in the Names Project quilt, remember individuals who have died of AIDS.

Like the quilt's panels, the *Songbook* songs are performed in whatever configuration best suits an occasion. The 16 songs recently performed during the San Francisco Symphony's "Wet Ink" new-music festival turned out to be, among other things, a memorial for Parker himself, who died in New York on March 29 at the age of 49.

The musically exemplary performances by the baritones Kurt Ollmann, David Evitts, and Andrew Solomon-Glover were unified by the deeply sympathetic pianism of William Huckaby, an associate of the project from its inception. The songs (soon to be published by Boosey and Hawkes) ranged from the sweetly elegiac (Ned Rorem's "A Dream of Nightingales") to the ragingly defiant (Donald Wheelock's "Fury"). While each poem and its setting captured an aspect of grief, some inevitably left longer echoes in memory.

Solomon-Glover intoned John Harbison's "The Flute of Interior Time" in a rapt hush. Ollmann, who captured the specific consolation in Thom Gunn's "The Reassurance" (set by Donald St. Pierre), carefully traced the thread of a Chinese proverb embedded in the Ron Schreiber text of Carl Byron's "the birds of sorrow." Evitts masterfully delineated the desultory undertow in William Bolcom's bluesy "Vaslav's Song" and kept listeners hanging on the heartbreaking narrative of Lee Hoiby's "Investiture at Cecconi's."

Throughout, the powerful texts told, even across difficult musical idioms. Sad lines, like "Paul Jacobs is playing Busoni on the radio" (from Chris De Blasio's "An Elegy to Paul Jacobs") were wrenching. Yet the most memorable words were the hard ones, like the rapier word-play of poet Charles Barber's "Death be nimble – life was quick" in St Pierre's "Fairy Book Lines." Even a San Francisco concert audience was pommelled by poet Melvin Dixon's tough talk – "Night sweats. Dry cough/ Loose stools. Weight loss." rendered with uncompromising force by Evitts.

The music was deeply personal. If some of it seemed less than external, it bears remembering that no one wanted to have to write this music, and that the participants would like nothing more than for this music to become unnecessary and obsolete.

Timothy Pfaff

Television/Michael Grade

Perception is the name of the game

About two years ago at the Edinburgh Festival, Channel 4 was under its annual, critical attack for abandoning its remit to provide innovative and minority interest programmes. After a lively session in which I was called on to defend our programming policy, I overheard two producers discussing the issue. "The trouble is," said one, "you can't argue with Grade because all he does is quote programmes at you."

As with politics and business, the arts and sport, perception is everything and television is no exception. An idea, usually negative, gains currency and there is no way to shift that perception. All you can do is ride the waves of criticism and hope the "perceptionists" move on to find a new target. Not even Sir Tim Bell and the expensive spin doctors can turn the tide of generalisation and prejudice once it starts to roll.

Evidence is irrelevant. Facts are selected to suit the general perception and whenever television is discussed, convenient examples are easy to come by. Each of the four terrestrial channels transmits an incredible range of good, bad and indifferent programmes each week. By a process of careful selection, anyone can make a case for or against any of the TV channels.

Let me demonstrate: it could be argued that BBC 2 is no longer the cultural force that it was. It is failing to maintain its own standards of originality and innovation. It is a *channel of endless snooker*, tired American reruns (*MASH* and *Star Trek*); safe old formats (*Top Gear*, *Dr. Who* and *Gardeners' World*); and a string of talent and ideas pinched from from Channel 4 (Harry Enfield, Clive James, Ben Elton, Ruby Wax, Vic Reeves, archive nights and Valentine's Day seasons, etc etc).

This judgment of BBC 2 is, of course, a travesty – just a highly distorted perception.

A few weeks ago Christopher Dunkley used this column to write an open letter to Michael Jackson, the new Controller of BBC 2. Dunkley made it clear that he regards BBC 2 as the best and the most precious of all our channels. It was an encomium about the channel and a thinly veiled warning to Jackson not to muck it up.

Fair enough. There is nothing so scarce in the media these days as praise (ask Martyn Lewis). Dunkley cares about BBC 2 and is not afraid to use his regular Wednesday column to say so. He is a critic whose opinion counts for something after all these years of box watching for the *Financial Times*. I, too, value BBC 2, both as a licence payer and a competitor.

But, but, but... his perception of BBC 2's rival, Channel 4, was, well, *simply perception and every bit as* false as my cheap characterisation of BBC 2 earlier. Dunkley wrote:

"Now, as one of the last gasps of full-blown Thatcherism, Channel 4 has been driven into the market place and obliged to compete for its own slice of advertising cake. As you might expect with Michael Grade in charge, it is proving a pretty effective competitor and is regularly achieving an audience share of around 12 per cent instead of the 9 to 10 per cent that it used to get. Whatever the people at Channel 4 may bravely proclaim about sticking to the famous 'remit' to 'be different' and 'cater' for 'minorities', I think we must expect that Channel 4, at least in peak viewing time, will continue to look more and more like any other conventional commercial channel, with game shows (*The Crystal Maze*); soap opera (Brookside); and the largest proportion of American imports in British terrestrial television (*The Wonder Years*, *Mork and Mindy*, *The Golden Girls*, and soon *The Golden Palace*)."

Well, I have read some tosh in my time but this really is the "tosh-est". Mr Dunkley has a nasty case of "perception-itis".

Facts first: *Crystal Maze* is in its fourth year and *Brookside* is in its *eleventh*, *hardly evidence of a sudden shift of policy in response to our* new competitive status. Of the American imports he cites, neither *Mork and Mindy* nor *Wonder Years* plays in peak time, which he says is where the danger lies.

He makes no mention of *Cheers* and *Roseanne*, two of the freshest comedy shows available anywhere, more witty and consistently funny than anything to be found on British television. Why should we apologise for spotting them and bringing them to Britain? The best American comedies have graced the channel from the beginning.

And so to ratings – he cites Channel 4's current surge in popularity as evidence of a decline in standards. But what is BBC 2's audience share? In the last full calendar year (the only meaningful measure) Channel 4 and BBC 2 were neck and neck at just over 10 per cent. So Channel 4 has, after 10 years, caught up with BBC 2 (and we have abandoned snooker). In Mr Dunkley's world, why is it OK for BBC 2 to have ten per cent, but not Channel 4? Dunkley's "law" suggests that we should not have taken on the recent season of peak time documentaries, drama and features about the homeless because it contributed to a record week of ratings for the Channel. I might understand his concern if Channel 4's share had leapt past BBC 2 to, say, 20 per cent.

Another flaw in his perception, or rather lack of it, is his belief that in peak time Channel 4 will have to become like the other main commercial channels. But, Mr Dunkley, if our ratings are growing (which they have been for two years) why on earth would we want to change?

It would be commercial suicide for Channel 4 to try and copy the other big channels. We would get crushed. Our commercial success depends on offering both the audience and advertisers something different. This is the policy of the Board of Channel 4 and on the evidence of the first few months of competitive selling, it is working a treat.

And so, without apology, to programmes. Here are some facts about the all important peak time: we run 50 minutes of the nightly *Channel 4 News*, and factual programmes dominate between 8.00 and 10.00pm; we run arts programmes (*Without Walls* and *Rear Window*); we run current affairs (*Dispatches*, *Black Bag*, *A Week in Politics*, *The World This Week*, etc); we run documentaries (*Cutting Edge*, *Short Stories*, *True Stories*, *Critical Eye*, *Secret History*, etc, etc); we run our own entertainment (*Drop The Dead Donkey*, *Whose Line Is It Anyway*, *Clive Anderson Talks Back*, *Paul Merton*, etc, etc); we run education (*Pulse*, *Eat Your Greens* and *Grow Your Greens*, *Our Back Yard*, etc); we run drama (*GBH*, *Big Battalions*, *Camomile Lawn*, *Lipstick On Your Collar* – plus short films by new writers and *Film On Four*, without which there would be even less of a British film industry). Not to mention special seasons, like the recent *Gimme Shelter* on the homeless – which, of course, Mr Dunkley did not. Religion, British animation, Opinions, foreign films, operas old and new – I could go on and on. I do go on and on, but then programmes are the only worthwhile evidence.

In the calendar year 1992, Channel 4's top 20 programmes included only three American comedies (at numbers 13, 16 and 17). The top five programmes were three home produced documentaries, a drama series and an ITV repeat. So, there goes the "Channel 4 is all quiz games and imports" theory.

Oscars and Emmies from the US, BAFTA awards and pots galore from all over the world count for nothing. Mr Dunkley chose to ignore all the above evidence. It just did not meet his perception and to him perceiving is believing. He is, nevertheless, a splendid commentator on the affairs of British television. But that is just my perception.

■ *Christopher Dunkley is on holiday. Michael Grade is Chief Executive of Channel 4*

Theatre/Andrew St George

Magic realism in 'The House of the Spirits'

Latin America has a pace of its own. The stage premier of Isabel Allende's *The House of The Spirits* runs for eight hours, about twice the time it takes to read the original book she wrote in 1982. The play, Allende's own adaptation, is now at the Shaw Theatre. It makes an absorbing, exhausting spectacle.

The style is magic realism, a blend of the real and the imaginary which evolves naturally from a multi-cultural Latin America. The european exponents are Gunter Grass and Milan Kundera. But the Colombian writer Garcia Marquez was the first populist in the genre with *Cien Anos de Soledad* (1967). What makes the style inimical to theatre, a sequential art form, is that it conflates past, present and future. To read Allende, Marquez or the lesser known magical realists Miguel Asturias or Alejo Carpentier for plot would be to miss the point. In Allende, everything happens all the time, it is a form of life.

The dynastic story of *The House of The Spirits* starts in Chile, 1910 and finishes after the September 1973 coup, the assassination of President Allende (Isabel's uncle) and the establishment of the Pinochet regime. There are autobiographical details from Allende's time as a journalist in Chile and then Venezuela, as well as family memoirs and folklore brought to bear on current events.

The play charts the fortunes of Clara and Esteban, the one a luminous clairvoyant and the other – like most of the men here – a feckless, violent and troubled soul. They live in Santiago and on a *hacienda* in the Andes, where the *campesinos* emerge from serfdom to political power in the 1970s. As each aspect of family lore fashions itself, memories harden into facts, whims into obsessions and visions into realities. "Life is long," says Clara, "and full of unexpected turns."

But the plot is not entirely at the mercy of serendipity. The laws of causation and prediction become the life of the family.

Out on the *hacienda*, advice takes root and grows into the future: "Land is something one should never sell, it's what is left when everything else is gone" says Esteban, "But land is a romantic notion" replies his mother. She is right, he loses it.

As the story rolls down the generations, finishing with Alba, the granddaughter of Clara and Esteban, it gathers momentum and amplitude; what seemed a distraction in the first part of the play emerges as a significant detail in the second: a mothy animal skin, a severed head, a caddy of hoarded cash. For each generation, love is a visceral shudder and death a whispered secret. Every family rite involves extensive nudity on stage. The family's powers of imagination and intuition pass through the women, "the stoical practical women of our country", a sorority of tough-minded individuals who control the men. Conrad was right, God for men and Religion for women.

There are wonderful comic moments: the whore looking to modernise her brothel, "we ought to bring in civil servants who have nothing to do during the day" or the maid trying to scare the young Clara – silent for ten years – into speech. Director Michael Batz amalgamates the action well, with haunting songs (by the Chilenos Violetta Parra and the murdered Victor Jara) beautifully sung by Claudia Figueroa and Mauricio Venegas.

The cast of 18, from eleven different countries, speaks a mixture of English and robust South American Spanish without the old-world sibilants. The principals, Josephine Welcome (Clara), Alkis Kritikos (Esteban), Carmen Gomez (Ferula, Esteban's sister) and Christina Clark (Alba) keep the passion high and the life intense. Try to see both parts in one day (Saturday or Sunday). Characters reappear like old friends.

If the second half of the first part and the middle of the second are still slack dramatically, perhaps the answer is simply a different view of what theatre does. "It may be true" says one character, "that everything happens simultaneously."

The Shaw Theatre until 23 May: Thursdays, part I; Fridays, part II; Saturdays and Sundays, parts I & II. (071-388-1394)

Alastair Muir

Alkis Kritikos and Carmen Gomez

More opera at Covent Garden

Jeremy Isaacs, general director at Covent Garden, yesterday proclaimed the Royal Opera House to be in "goodish shape". Despite making a surplus in 1992-93, tight financial constraints continue and are reflected in the 1993-94 season. For the Royal Ballet there are no new full length productions at Covent Garden; the "new" *Sleeping Beauty* is to be premiered during the US tour. For the Royal Opera there are seven new productions but three are co-productions with other opera houses.

The incoming opera director Nicholas Payne signposted four initiatives which are reflected in the 1993-94 season. The Wagner repertory will be revitalised; in October there is a new production of *Der Meistersinger*, and a new *Ring* is planned from 1994. A Verdi Festival starts in 1995, with the aim of performing all his operas by 2002. In the meantime a fresh *Aida*, not seen at Covent Garden for a decade, opens in June 1994.

As ever there is a desire to perform more British works, with revivals of Birtwistle's *Gawaine* and of Britten's *Gloriana* (in a guest performance by Opera North) and to broaden the repertoire with little known works. *In 1993-94 there will* be new productions of Massenet's *Chérubin*; of Giordano's *Fedora* (produced in association with La Scala, Milan); and Rossini's *Mosè in Egitto* (first seen in Bologna). The other new productions are Scottish Opera's recent *Die Zauberflöte* and Janáček's *Katya Kabanova*, which will be directed by Trevor Nunn.

In its bid to pay off its deficit so that the government will be better inclined to give Covent Garden the money needed to rebuild its theatre, the Royal Opera House has plenty of popular classics in its programme, including 17 performances of *Carmen* and ten of *Madama Butterfly*. There will also be much more opera (which produces a bigger box office) than dance.

Jeremy Isaacs is keen to popularise opera and is asking sponsors to help Covent Garden by subsidising seat prices as well as sponsoring productions. Four Saturday night performances will be subsidised in this way with over 1000 seats priced at under £12 The aim is ten such performances a year.

Antony Thorncroft

Bernice Bobs her Hair

Scott Fitzgerald (1896-1940), the poet laureate of the party, knew that big events were always more intimate than small soirées. His writing, like his life, thrived on party scenes. Fitzgerald could never distinguish between naivety and social climbing, so his stories had in-built innocence and experience. Both are on show in his short story, *Bernice Bobs Her Hair*, written in the spring of 1920. Now it has been made into a charming, light musical at The Orange Tree Theatre in Richmond.

Bernice is all about coiffure. As one character says, "This might sound unfair but/ It's only a hair cut." It is Fitzgerald's jazz age version of the Berenice (c. 250 BC) who sacrificed her hair to Venus for the safe return of her husband from the wars; Catullus wrote about it, and Ptolemy III named a star "Berenice's Curls". Fitzgerald added elements of Samson and *The Rape of The Lock* and saw the bobbing of Bernice as a rite of passage.

It is a story of East and West after all, of rich carelessness and poor credulity. Country girl Bernice visits her rich society cousin Marjorie, who first ridicules her *gaucheries*, then promises to make her into a society vamp. So Bernice throws off her floral prints, climbs into slinky red, and promises to cut off her hair. She does. Then she is doubly mocked, and leaves town in shame, stopping to snip Marjorie's blonde tresses en route to the station.

This makes thin matter for a musical. But composer Matthew Miller and Lyricist John Gardyne take the Sondheim way out: a couple of good strong numbers which resurface, modulated and intercut, throughout the show. They succeed in making the songs constitute the action. Albeit short on jazz, the evening amounts to a public party, with a cast of black-tied cocktail-dressed young worrying about social niceties and growing old: "If you think you've troubles aplenty, Things could be worse, you could be twenty." The best number, apart from the opening chorus, "Nights Like This" is a love lament by Warren, a boy falling in love with Bernice. As he sings, "She's not that kind of girl" he realises she is *his* kind of girl, persuading himself into love while singing his way out of it.

The performances are steady, with highlights from Abigail Lee (Bernice), Emma Parish (Marjorie) and Hugh Lee (Warren). The poor lighting diluted the show's intimacy and energy; it should have been more focused.

The Orange Tree, Richmond (081-940-3633) until 29 May

INTERNATIONAL
ARTS GUIDE

■ BONN

Gian-Carlo del Monaco's new production of Cav and Pag opens on Sun, conducted by Michel Sasson, with a cast led by René Kollo and Monte Jaffe. Repertory also includes Der Freischütz tonight and Valery Panov's production of Prokofiev's ballet Romeo and Juliet on Sat and next Mon (773667)

■ BORDEAUX

MAI MUSICAL
The festival opens tomorrow at Grand Théâtre with a concert of popular orchestral works conducted by Jan Latham-Koenig. Fri, Sat, Sun: Alain Lombard conducts Tchaikovsky concerts at Palais des Sports. May 14, 15, 16: Tchaikovsky ballet extracts. May 21, 22, 23: Mozart programme (5648 5854)

■ COLOGNE

Philharmonie Tonight: Raymond Leppard conducts Indianapolis Symphony Orchestra in works by Hindemith, Beethoven and Schumann, with piano soloist Maria Joao Pires. Sat: Christoph Eschenbach and Tzimon Barto alternate as conductor and soloist in Brahms' two piano concertos, with Saarbrücken Radio Symphony Orchestra. Sun afternoon: Thomas Zehetmair violin recital. Mon: Wynton Marsalis Band. Next Wed and Fri: Cherubini Quartet plays Beethoven. Next Thurs: Sinopoli conducts Philharmonia Orchestra (2801)
Opernhaus Tonight, Sat and next Wed: Katya Kabanova with Nadine Secunde and Leonie Rysanek. Fri and Sun: Der Rosenkavalier with Margaret Marshall, Delores Ziegler and Gunter U-UMLAUT von Kannen. Mon: Entführung. Tues: TanzForum triple bill, choreographies by Jochen Ulrich (221 8400)

■ COPENHAGEN

Royal Theatre Tonight: Royal Danish Ballet in John Cranko's Onegin. Tomorrow: Drot og Marsk, Danish historical opera. Fri, next Mon, Wed: Mahagonny. Sat: Tosca. Tues: La traviata (3314 1002)
Tivoli The summer season of concerts is now in full swing, with chamber music or orchestral programmes most nights of the week. This week's highlight is a Tivoli Symphony Orchestra concert tomorrow conducted by Lothar Zagrosek, pairing Beethoven's Violin Concerto (Shlomo Mintz) with Tchaikovsky's Manfred Symphony (3315 1012)

■ DUSSELDORF

Deutsche Oper am Rhein Tonight: Götterdammerung Tomorrow: Cosi fan tutte. Fri: concert performance of Lakmé. Sat: Gluck's Iphigenie en Aulis. Sun: first night of Heinz Spoerli's new production of Giselle. Next Tues and Wed: Spoerli's ballet Goldberg Variations (8908 211)
Schauspielhaus Tonight: Shakespeare's A Midsummer Night's Dream. Tomorrow and Fri: Odon von Horvath's Zur schonen Aussicht. Sat: Brecht's Mr Puntila. Sun: A.R.Gurney's Love Letters. Mon: Pirandello's Tonight We Improvise. The Kleines Haus has Gorki's Summer Guests directed by David Mouchtar-Samorai (tickets 369911/ information 162200)

■ FRANKFURT

MUSIC/DANCE
Alte Oper Tonight: Wynton Marsalis Septet. Tonight (Mozart Saal): Hindustani classical music with Pandit Jasraj. Fri, Sat: Carmen Flamenco, choreography by Rafael Aguilar. Sun: Michael Gielen conducts South West German Radio Orchestra in works by Beethoven, Rihm and Brahms. Mon: Vladimir Stoupel piano recital. May 15: Sinopoli conducts Brahms (1340 400)
Opernhaus Fri and Sun: William Forsythe's ballet Slingerland. Sat and Mon: Aribert Reimann's opera Troades (236061)

■ GOTHENBURG

Konserthuset Tonight, tomorrow: Neeme Järvi conducts Gothenburg Symphony Orchestra in works by Stenhammar, Beethoven and Stravinsky, with piano soloist Christian Zacharias (167000)
Stora Teatern Tonight, Sat: Robin Stapleton conducts Francesca Zambello's production of Falstaff, with Ingvar Wixell. Seven further performances till June 5 (131300)

■ HAMBURG

Staatsoper Tonight, Sat, next Wed: Claus Peter Flor conducts Johannes Schaaf's new production of Entführung with Schaaf as the Pasha. Tomorrow, Fri, Mon: John Neumeier's ballet A Midsummer Night's Dream. Sun: Neumeier's A Cinderella Story, music by Prokofiev (351721)
Musikhalle Sun morning, Mon evening: Valery Gergiev conducts Hamburg State Philharmonic Orchestra in works by Wagner, Mahler and Prokofiev, with mezzo Olga Borodina (354414)

■ LEIPZIG

Opernhaus Highlights of Leipzig Opera's 300th anniversary celebrations are a programme of choreographies by Uwe Scholz (tomorrow), Boris Godunov staged by Istvan Szabo (Fri and next Wed) and Rameau's Hippolyte et Aricie conducted by Udo Zimmermann (first night on Sat).
Grétry's Zémire et Azore (Sun morning) marks debut of Leipzig's new opera school.
Repertory also includes La boheme, Cosi fan tutte and Werther (7168 273)
Gewandhaus Tomorrow and Fri: Kurt Masur conducts Gewandhaus Orchestra in works by Barber, Shostakovich and Tchaikovsky. With violin soloist Sylvia-Elisabeth Viertel. Sat: Anatol Ugorski piano recital. Sun: Helen Donath sings opera arias (7132 280)

■ LYON

● Eliahu Inbal conducts Orchestre National de Lyon in Mahler's Eighth Symphony on Fri and Sat at Halle Garnier, with soloists including Lillian Watson, Edith Wiens, Gary Lakes and Simon Estes (7860 3713)
● Opéra de Lyon reopens on May 14 with world premiere of Debussy's Rodrigue et Chimène, followed by new productions of Les Contes d'Hoffmann, Coppelia and Lully's Phaeton (7828 0960)

■ MUNICH

Prinzregententheater Tonight: opera and dance gala with soloists from Kiev and Odessa, opening a five-day Ukraine festival at various venues (4809 8614). Sat, next Mon, Tues: Peter Schneider conducts Bavarian State Orchestra in Haydn, Wagner and Shostakovich, with soloists Waltraud Meier on Sat and Cheryl Studer on Mon and Tues (221316)
Herkulessaal der Residenz Tonight: Arpad Joo conducts Bach Collegium in Mozart, Stamitz and Danzi. Fri: Hans Zender conducts Bavarian Radio Symphony Orchestra in music by Fortner, Trojahn and Zender, with Wolfgang Holzmair and other soloists. Sat: Grigory Sokolov piano recital. Mon: Melos Quartet, with violist Enrique Santiago, play Brahms quintets. Tues: Dinorah Varsi piano recital. May 14, 15: Riccardo Muti conducts BRSO (299901)
Gasteig Tomorrow, Fri, Sat, Sun morning: Dmitri Kitaenko conducts Munich Philharmonic Orchestra in works by Britten and Shostakovich. Tues: Raymond Leppard conducts Indianapolis Symphony Orchestra, with piano soloist Maria Joao Pires (4809 8614)

■ STOCKHOLM

Royal Opera Tonight, tomorrow, *Fri, Sat, Mon: new production of* choreographies by Balanchine, Ulysses Dove and Ulf Gadd (248240)
Konserthuset Tonight, tomorrow: Gennadi Rozhdestvensky conducts Royal Stockholm Philharmonic Orchestra in Berwald and Berlioz, with Gidon Kremer soloist in Shostakovich's Second Violin Concerto tonight and Sibelius' Concerto tomorrow (244130)
Berwaldhallen Fri evening, Sat afternoon: Carlo Maria Giulini conducts Swedish Radio Symphony Orchestra and Chorus in Beethoven's Ninth Symphony, with soloists including Keith Lewis and Bryn Terfel (784 1800)

■ STRASBOURG

Palais de la Musique Tonight, tomorrow: Stanislav Skrowaczewski conducts Strasbourg Philharmonic Orchestra in works by Mendelssohn, Bartok and Mozart, with piano soloist Deszo Ranki (8837 6777)

■ STUTTGART

Staatstheater Ruth Berghaus' La traviata opens on Sat, conducted by Philippe Auguin (repeated May 11, 13, 19, 22, 25, 29). Repertory also includes Cranko School ballet performances tomorrow and Fri, La Cenerentola on Sun and Cosi fan tutte on Mon (221795)

European Cable and Satellite Business TV

(All times are Central European Time)
MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: *West of Moscow 1230.*
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Arts Guide

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandanavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

Edward Mortimer

Where conflict is the norm

Fear, not hope, is the force driving the Middle East peace talks

Peace is in the air, or at any rate on the air. Tune into the BBC World Service and you will hear it. In Athens, the warring Bosnian parties have accepted the Vance-Owen plan. In Washington, there is progress in the Middle East talks. In Abuja, talks have resumed between the Sudanese government and the southern "rebels". In Somalia, the US has withdrawn and handed over to the United Nations after an allegedly successful operation.

Perhaps the BBC has been heeding the strictures of one of its employees, Mr Martyn Lewis, who recently said the news was too uniformly demoralising, and that more effort should be made to report the positive things that happen in the world. My answer to such pleas has always been that bad news is in itself encouraging. The essence of news is that it should be novel, unusual, surprising. So if disasters make up most of the news, that implies an assumption that they are not the normal state of affairs.

When news is good, it usually concerns an area or a subject where gloom or disaster is the long-established norm. Examples: Sadat's visit to Jerusalem in 1977 (conflict and mutual suspicion were the norm, straightforward human contact a stunning exception); the non-violent collapse of communism in eastern Europe; signs of recovery in the British economy.

It is the job of reporters to look out for what is new and report it. The job of columnists is harder to define, but part of it seems to be to explain that the news is wrong, or at any rate not what it seems. When the news is of disaster, the columnist must restore calm by setting it "in context". But when there is news of an exciting breakthrough he must point out all the problems that remain unresolved.

So this week I could predict with confidence that the wars in Bosnia and Sudan will go on, and point out that there is still acute insecurity in Somalia, with no solution in sight. But, having spent the past two days in and around Jerusalem, I shall concentrate on telling you that there is little euphoria, among Israelis or Palestinians, about the prospects of agreement in Washington.

Israelis, as is well known, have always felt insecure about the future of their state, though less so, I think, since making peace with Egypt in the late 1970s. Now, however, they feel personally insecure because of the recurrent and apparently random killings of Israeli citizens by Arabs from the occupied territories, especially the Gaza Strip.

The authorities have responded by "sealing off" the territories – which means that the Arab inhabitants are no longer permitted to enter Israel, although residents of Israel, Israeli settlers in the territories, and indeed foreign visitors such as myself, remain free to come and go at will.

Insecurity is pushing Israel to find a way to disengage from the territories

The Israeli economy, it seems, has learnt to do without cheap labour from the territories (although its replacement with cheap labour from places further afield, such as Thailand, is beginning to cause political controversy). But the masses cooped up in the Gaza Strip – with one of the highest birth rates in the world – have little prospect of alternative employment.

And they have little to lose by engaging in terrorism, since whether they do or not they are affected by Israel's attempts to control it. Last December, a 10-year-old girl in Khan Yunis was shot dead in the street, by "a stray bullet" from the Israeli army, when she went out to buy milk after the curfew had been lifted.

For Israeli newspapers, that was not front-page news (though six weeks later a journalist from the leading newspaper Haaretz did go and visit the girl's family, which was more than anyone from the army had done). Nor are the endless humiliations to which Arab families are subjected, such as being pulled out of their houses and forced at gunpoint to erase graffiti sprayed (by unidentified people with whom they may have no connection) on the outside walls.

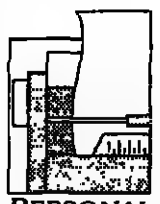
The "sealing-off" applies to the West Bank, as well as Gaza, but not of course to East Jerusalem which was declared an inalienable part of Israel after its conquest in 1967, and which Israel is determined to keep outside the scope of the proposed "self-governing authority". The closure is thus highly disruptive of social, economic and cultural life on the West Bank, for which Jerusalem is the natural centre. Besides making it impossible for West Bank residents to work or attend meetings in Jerusalem itself, it all but cuts off the north and south halves of the West Bank from each other: to reach Ramallah, normally half an hour away, a resident of Bethlehem now has to take a dirt road right down to the Dead Sea, along the Jordan valley to Jericho, and then back up again.

Though introduced as a short-term security measure, almost a panic reaction to the deaths of Israelis, the closure has been extended for a second month and is now clearly intended to become the new normality. Lists of people exempted from it are being drawn up, and there is talk of upgrading the dirt road.

All in all, life is not too pleasant. Does that contradict the "good news" from Washington? Perhaps not. Insecurity, which drove Israelis to occupy the territories in the first place, is now driving them to seek disengagement, at least from the Arab-inhabited areas, at almost any price. And the prospect of relief from day-to-day harassment may induce the Palestinians to accept, as an interim solution, even an agreement that gives them only limited autonomy on only a small part of their land.

The year of the great opportunity

Franco Modigliani on curing Italy's economic ills



PERSONAL VIEW

In recent months, Italy has been under the spotlight for all the wrong reasons: Mafia killings of judges; political scandals involving senior politicians and business leaders; growing political instability. And yet, 1993 is for Italy "the year of the great opportunity". Not only is the political system finally being reformed, but there is a rare coincidence of circumstances which makes it possible for Italy to cure the four chronic diseases of its economy: high inflation, unemployment, horrendous government deficits and imbalances in its external trade accounts.

This will happen provided the country and the incoming government stick to two prescriptions. The first exceptional circumstance is that Italy is this year enjoying the benefits of the July 1992 agreement among the government, trade unions and employers, which abolished the country's wage indexation system. The pact virtually froze nominal wages until the end of 1993.

As long as 15 years ago I identified indexation as the leading cause (together with excessive wage demands) of the inescapable swing of the Italian pendulum between the high inflation of the 1970s, and the low growth, rising unemployment, high external deficit and disinflation after Italy joined the European Monetary System in the 1980s.

The second extraordinary circumstance is represented by the free floating of the lira following the turbulence on the foreign exchange markets of September 1992. The overvaluation of the lira, caused by the fixed exchange rate and the persisting inflation differential, eventually led to the abandoning of the fixed parity. What happened afterwards vindicates the view expressed last November by Rudi Dornbusch, the MIT economist. He maintained, in contrast with conventional wisdom, that by floating the lira, Italy had finally freed itself from the yoke of the Bundesbank and the high interest rates imposed by it, and that it should use that freedom for a sharp cut in interest rates and accompanying deep devaluation of up to 30 per cent. A devaluation of such proportions was needed to balance the current account, restore growth and job creation, and compensate for the effect of a reduction of the public deficit of the order of 2 to 3 per cent of GDP.

Old and new: disgraced Craxi, and Ciampi, the prime minister

What actually took place pretty much matches Dornbusch's prescription. Interest rates on Treasury bills have come down from more than 15 per cent last summer to about 10 per cent; devaluation reached 30 per cent (though it has been reduced a bit lately).

The third favourable circumstance is that the devaluation happened at a time of extremely weak demand, which has helped to bear down on imported inflation. The moderation of inflation, which in March fell to a six-year low of 4.2 per cent, is also a consequence of the virtual freeze on nominal wages.

What Italy is now undergoing an export-led recovery, with a dramatic turnround in the current account. The upturn reflects competitiveness gains which have resulted from devaluation and the wage freeze. As things now stand, I expect growth to pick up in the second quarter. Italy is likely to experience a higher rate of growth in 1993 than all the other leading European economies, except possibly the UK.

Is Italy out of the dire straits in which it found itself last September? Unfortunately, the answer is no. A crucial stage will arrive when the wage agreement expires at the end of the year. At that point the choice is the unions'. They could choose to revert to their old ways and attempt to recover the purchasing power lost since last July, and then some. The result would be a return to the dilemma between high inflation and a recessionary tightening.

The other possibility is that the unions will realise the enormous advantages accrued to the country from the agreement and that would continue to accrue by extending it. These include:

- continued reduction in inflation;
- the creation of more secure jobs for present and future generations;
- a sharp decline in interest payments.

In spite of the recent reduction, Italian short-term interest rates are still several percentage points higher than those in the other European countries. If the markets were reassured that the benefits of the 1992 agreement were extended to 1994 the conditions are there to take advantage of high Italian returns. The inflow of capital, a more credible government (and therefore a reduction of the political risk premium) and the downward trend of international interest rates should all contribute to a fall in Italian rates. By year-end, short-term rates could be 5 points lower than in recent years. Such a reduction would have a significant effect on the budget. With a debt of L1,600 trillion (about $1 trillion) I estimate that a reduction in short-term interest rates by 5 points would bring about a net saving of L80 trillion by the end of 1994.

Italy has the rare opportunity to cure the four chronic diseases of its economy

Over the same period a further deficit reduction of L50 trillion should come from:

- a mix of cuts in public expenditure along the lines already pursued by the Amato government;
- new measures to curb tax evasion by the self-employed;
- higher tax revenues as the economy continues to recover;
- privatisation proceeds;
- savings from the elimination of corruption on public contracts.

All this would bring the government deficit to 3.3 per cent of GDP, almost in line with the Maastricht requirements. The fall in interest rates should also contribute to an increase in investment and, together with the improved current account, to an expansion in income and employment.

This is what Italy would gain from the extension of the wage agreement. But union leaders are bound to ask themselves what their members would lose. With fixed nominal wages, the only possible loss for the workers is an increase in prices. Figures available for the first nine months of the agreement show a loss of purchasing power only of about 1 per cent. As for the future, even in the pessimistic assumption that inflation jumps to 6 per cent for the rest of the year as a consequence of devaluation, the overall loss of purchasing power would not go beyond 2 per cent. This loss could be easily compensated by allowing for a rise linked to the productivity increase. Moreover, in 1994, the effect of devaluation on prices will have all but disappeared.

In exchange for wage moderation, the unions should ask the government for institutional changes which could contribute to bearing down on price levels. One of the most urgent is the deregulation of the distribution sector, whose inefficiency and high profit margins have kept workers from benefiting fully from the productivity gains.

If the unions can be convinced to make the rational choice and extend the wage agreement to the end of 1994, I challenge them to announce it right now. This would bring forward the benefits of the extension, providing the government and business a stable framework on which to plan for the future. The impact on job creation would be significant.

What about Italy's return to fixed parities and the monetary union process? The answer, and here I come to my second prescription, is yes, but only under the proper conditions.

The question must be seen in a broader context. One might think that the expansion which Italy is now enjoying is only the result of the fall in the value of the lira – that is, simply a repetition of the old game of competitive devaluations. But in fact Italy is now engaged in a rebellion against the Bundesbank's suicidal policy of high interest rates – acting like a David against a mighty Goliath. Italy would most definitely welcome sharing the fight for lower interest rates with other countries with similar problems, especially in terms of high unemployment, including Spain, Ireland, Belgium and France. (The UK has already joined the fray.) They too would have to free themselves from the shackles of the Bundesbank by floating and pursue a policy of lower interest rates, and possibly tighter fiscal policies.

The effect of such policies must be favourable to the world economy, because of the resulting expansion of employment and output. The only possible exception is Germany, at least until it joins most of the industrialised world in a policy of lower interest rates, which the Bundesbank has recently begun to reduce. Once the it has been persuaded to correct past errors, the EMS can quickly get back to the task of economic and monetary union, with new and better-founded parities, and a healthier distribution of power and duties.

Indeed, for Italy, and perhaps much of the world, this is the year of the great opportunity. Let's not miss it.

The author is Institute professor emeritus at MIT and winner of the Nobel Prize for Economics in 1985

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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NHS trust managers constrained from above

From Ms Susanne Brierley.

Sir, Unfortunately the National Health Service's former personnel director, Eric Caines, is all too correct when he says the opportunities for NHS trusts to break free from centralised pay and personnel policies are at risk ("No way to run a health service", April 27).

It is unfair, however, to lay so much blame on trust managers, most of whom have been tightly constrained, not only by the political aspects he describes, but also by revenue limitations and the huge agenda for organisational and managerial change they have been implementing.

Many human resource managers have quietly progressed with incremental change while acquiring the new skills needed for local pay bargaining and establishing new relationships with staff unions. Most have introduced new personnel policies and trust employment contracts, restricted in use by the protection of staff on national conditions under the transfer arrangements.

Initial dreams of attracting staff off the Whitley council system and simplifying pay structures proved, with few exceptions, not to be viable due to the sheer cost on the paybill, especially in the larger multi-functional units, and, latterly, the 1.5 per cent pay limit. Recession deferred the demographic black hole, while emphasis on local needs logically means differing priorities on limited resources.

As Caines points out, progress has generally been far short of expectations – empty promises and changeable political agenda provide sandy foundations. Simply telling trusts to get rid of Whitley shows an abdication rather than delegation of issues.

Failure to announce the phasing out of national negotiating machinery and the continued central impositions have conflicted with promises of devolved management. Most trusts *want* the opportunity to devise local arrangements but lack certainty of agenda and backing by top management and politicians.

Accountability to the public is vital, but responsibility appears to have been devolved more readily than the authority to manage.

Susanne Brierley,
Chair, Reward Group,
National Association of Health Service Personnel Officers

Japanese taxation of whisky and shochu

From Mr J. Bourlet

Sir, Japan's whisky and shochu taxation as discussed by your correspondent Kojiro Shiojiri (April 20) and by Ronald Brown and Tim Jackson (April 27) raises more questions than answers.

Why should Japan be held to account for an EC regulation, which prevents distillers here from marketing whisky with less than 40 per cent alcohol – when most drinkers add water to reduce their drink to around 20 per cent anyway? And why don't European distillers produce shochu, the contents of which are no secret, if they want to do business in Japan?

Surely the Japanese are entitled to point out that if importers produce whisky of 20 per cent proof and shochu alongside other white spirits, both of which the Japanese consumer clearly demands, then the tax position will no longer be an issue.

James Bourlet,
Economic Research Council,
239 Shaftesbury Avenue,
London WC2H 8PJ

Success of UK machine tool makers

From Mr Simon Brown.

Sir, We noted with interest the article on Holroyd machine tool company which has just won the Queen's Award for Technological Achievement, ("Cutting and Grinding", April 21).

You say Holroyd is "One of the few surviving machine tool companies left in Britain, which once was a world leader in this sector." This does a disservice to the many leading companies in our industry. There are about 175 UK makers of machine tools and ancillary equipment, some of which remain world leaders.

Figures from the Machine Tool Technologies Association show the UK is the world's eighth largest producer, and seventh largest exporter of machine tools. The UK exports more machine tools per head employed than any nation except the Swiss; several of our members *have won* the Queen's Award for exports.

The industry has become smaller as its domestic customer base has shrunk. Conversely this has accounted for the strength of the German and Japanese industries. It will be interesting to see how they cope with the downturn in demand that has been regarded as commonplace in the UK.

Simon Brown,
director general,
The Machine Tool Technologies Association,
62 Bayswater Road,
London W2 3PS

Shareholder pressure on pay

From Mr Clive Nathan.

Sir, Having read the letters in the FT on directors' "over-the-top pay" it is my opinion that until the full cost of a director is disclosed to shareholders it may be impossible to address the issue in a proper manner.

After a decade of excess resulting from unreal salary payments supported by stock options and bonus rewards together with pension contributions and benefits it seems curious that UK shareholders do not more often group together by size to activate change from the directors of companies in which they have invested.

European "shareholder activists" do not enjoy the exposure and success of their crusading US counterparts but now is the time to intensify effort.

Perhaps if these programmes gathered momentum, those concerned would suffer less.

Clive Nathan,
Nathan-Marlow,
Lindau,
Germany

Mature approach of EBRD

From Mr David M Howell.

Sir, Recent attacks on the European Bank for Reconstruction and Development have some justification and the bank's president, Jacques Attali, has been unwise in certain internal spending policies. These criticisms should not obscure, however, the bank's achievements and the spadework done for the future in terms of development and merchant banking.

While those of us who deal with the EBRD feel a degree of frustration at the procedural requirements and delays, the bank's own systems will doubtless be refined and many of the problems are not of its making.

They arise, rather, from the varying political and economic characteristics of the countries of eastern and central Europe and from the need for strategic overviews prior to investment. The bank has a responsibility to consider not only shorter-term financial criteria but the longer-term environmental and strategic development of the regions.

Such policies can only be developed on a step-by-step basis. I and my colleagues recognise that the bank can have no magic wand in securing an "open cheque book" for potential investments but we believe this mature approach will achieve a long-term future for growth.

The EBRD should be congratulated on the manner in which it provides information and briefings to interested parties and on providing a high level of informative documentation to those attending the annual meeting.

Before the recent spate of criticism, M. Attali had proved to be a visionary in having established the EBRD with a high-profile and well-developed structure for future operations, over a short period. In due course a more traditional banker will no doubt become the bank's president, but this contribution should not be overlooked.

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FINANCIAL TIMES

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Wednesday May 5 1993

Nuclear rift over Ukraine

Nuclear disarmament was perhaps the most cherished fruit of the end of the cold war. Presidents George Bush and Boris Yeltsin acknowledged as much when they signed the Start 2 strategic arms limitation treaty in Moscow last January. The rest of the world applauded the prospect of a further significant reduction in the US and ex-Soviet nuclear arsenals, and western policymakers began turning their minds to the next big disarmament challenge: that of renewing and strengthening the Non-Proliferation Treaty (NPT).

Now it is beginning to look as if everyone relaxed too soon. The Russian parliament has yet to ratify Start 2. More worrying, neighbouring, newly independent Ukraine is embroiled in an increasingly acrimonious row with Russia and the west over the 176 Soviet intercontinental ballistic missiles and 30 nuclear-armed strategic bombers still on its soil.

Without sensitive handling on all sides, the dispute risks upsetting the international disarmament process and becoming a serious irritant in efforts to renew the NPT. At worst, it could encourage something the west desperately wants to prevent: the emergence of a renegade power in the heart of Europe, clinging to nuclear weapons for lack of what it sees as reliable security guarantees, and perhaps seeking alliances with other would-be nuclear states in the Middle East or Asia.

Insensitive handling

Thus far, the west's – and in particular Washington's – handling of the issue has been anything but sensitive. The Clinton administration has issued a series of warnings to Ukraine that it will not discuss aid for its shattered economy or any other bilateral questions until Kiev has ratified the earlier Start 1 strategic arms treaty and acceded to the NPT. Ukrainian leaders have been promising to do this since 1991, but parliament has yet to deliver. The main result of US pressure has been to fuel the growth of pro-nuclear sentiment among legislators, making it decreasingly likely that Ukraine will agree to go non-nuclear in the foreseeable future.

How is the impasse to be broken? In exchange for ratification, President Leonid Kravchuk is demanding substantial western assistance towards the cost of dismantling the weapons (the US has promised $175m); payment of the proceeds from sale of the nuclear fuel they contain; and cast-iron guarantees of Ukraine's security from Nato powers and from Russia. Western governments, though some have given security assurances, instinctively jib at what they see as a form of nuclear blackmail. But their failure to respond merely reinforces the Ukrainians' inclination to hang on to nuclear weapons either as a deterrent to Russian adventurism or simply as a means of ensuring they are taken seriously.

On both these counts Ukraine has legitimate concerns. Russia has consistently refused to sign a comprehensive political treaty with Ukraine recognising the inviolability of its frontiers, except in the context of the Commonwealth of Independent States, the successor body to the USSR of which Ukraine has said it does not want to be a full member. Moreover, influential voices in the Russian parliament are frequently heard staking claims to Ukrainian territory. The potential for instability in Russia is such that Ukraine has no reason to lower its guard.

Western blunder

This problem is compounded by the impression in Kiev that the west is so fixated on the need to give political and economic support to Russia that it is turning a blind eye to Moscow's handling of conflicts with its neighbours. In allowing that perception to take hold, western governments have committed a blunder which they may live to regret.

Fortunately, it is not too late to correct the balance. To do so the US should couple continuing pressure on Kiev over nuclear weapons with equally firm efforts to persuade Russia to sign a treaty securing Ukraine's sovereignty and its borders. In addition, other interested parties – particularly Britain and France as Europe's other nuclear powers – could adopt a higher profile in the effort to soothe Ukraine's security concerns. Finally, all involved need to demonstrate convincingly that they are coming to terms with the emergence of a new European country larger than France, and that if Ukraine moves down the path of economic reform they are prepared to assist it as generously as they are helping Russia. That way, Ukraine will not feel it needs to retain nuclear weapons to hold the world's attention.

Fraud in the EC

FOR A variety of reasons – dissatisfaction with Maastricht, the war in former Yugoslavia, the recession – many ordinary voters at present take an unfavourable view of the European Community. One issue with a direct impact on taxpayers' wallets exacerbates this poor image: widespread misappropriation of EC cash.

The publicity given to EC fraud, above all connected with payments linked to the common agricultural policy (CAP), has three effects. It weakens support among national governments and electorates for necessary increases in the EC budget. It highlights how the elaborate CAP mechanism for doling out farm subsidies can provide lucrative rewards for swindlers. And it illustrates the Community's shortcomings in its struggle against fraudsters in particular, and cross-border crime in general.

Here, the EC is a long way from adopting a supranational approach. Verifying that the sometimes absurdly complex system of agricultural hand-outs works properly is a matter for national authorities, operating often without real co-operation. Many professional criminals specialising in "milking" CAP funds are, on the other hand, well-organised in efficient transnational networks.

Limit abuse

Possibilities for illegal diversion of EC money will exist as long as the Community keeps its agricultural prices above world market levels and compensates farmers who stockpile or export surpluses. Despite the successful aspects of last year's plan for a partial overhaul of the CAP, this is a state of affairs with which the EC will have to live for many years. However, abuse can be limited.

In this regard, the Commission's annual fraud report, published last week, makes depressing reading. By definition, most fraud is unreported. For 1992, the Commission records that Ecu118m was purloined from CAP export refund and price support schemes, with a further Ecu152m lost through evasion of customs duties and farm levies. Cases cited range from the sidestepping of levies on olive oil to the filing of dishonest claims for export of cereals, milk products or livestock. The EC admits that these examples form the tip of a much larger iceberg. Further, even where wrongdoing is proven, less than 10 per cent of defrauded funds are recouped.

Financial incentive

One important problem is that national governments have no direct financial incentive to recover money filched from the Community. Controls are often lax. Convictions are hampered by the complexity of many of the fraud rings, and by differing national judicial procedures. Penalties are generally small. The Community plainly realises the seriousness of the threat. The EC this year is spending Ecu138m on combating fraud, against Ecu77m in 1992. Much of the increase is earmarked for improving CAP management and controls. Greater use is being made of computers, and the EC is resorting to satellite surveillance of fields to ensure that "set-aside" schemes do not reap farmers illicit profits.

Such measures can, at least, act as a powerful deterrent. But more must be done. The EC Court of Auditors, the Community's spending watchdog, has proposed setting up an independent EC anti-fraud unit to help tackle the problem. Such a unit, staffed by financial experts and customs officials, could operate at arm's length from the court and the Commission, under the supervision of the European parliament. Drawing on better controls on consignments on the EC's external borders, more rigorous financial checks, and pooled intelligence, the unit would have powers to investigate suspected fraud cases speedily.

This would be a useful innovation, but not a panacea. Judicial authorities and member governments would still have the responsibility for following up the unit's work and mounting prosecutions. The Community, however, badly needs to regain the initiative. If the opportunities for pillaging funds become as deeply entrenched as the CAP itself, the EC will be in a sorry state.

Alan Cane examines the likely consequences of significant retrenchment by IBM in a leading market

Europe cut down to size

The gloomiest entry in International Business Machines' catalogue last year came under the heading of western Europe. In a collapse both sudden and shocking, IBM's most profitable region in 1990 had become, in only two years, a salesman's nightmare.

Purchases of mainframe computers and large memory systems declined steeply towards the end of the year, contributing substantially to the computer giant's $5.46bn fourth-quarter operating loss and its *overall loss in 1992 of almost $5bn.* This year started no better. Revenues declined by 14 per cent in Europe in the first quarter compared with a decline of only 3 per cent in the US and Asia.

Europe, however, is now the world's largest information technology (IT) market with a value last year estimated at more than $150bn. For IBM, the challenge of turning its recent poor performance into an effective product and distribution strategy has the added bonus that the region could serve as a model for its global recovery.

At the moment, however, IBM is chiefly concerned with trimming ("downsizing") operations worldwide to match reduced sales expectations, cutting staff and closing plants. This will be one of the first tasks facing Mr Jerome York, recently hired as IBM's new finance chief from Chrysler motor company, who has a reputation as a cost-cutter.

According to Mr Jack Kuehler, IBM vice-chairman, Europe must take a fair share of the restructuring measures: "We are downsizing ourself in all the countries in which we operate, not just those in Europe. We are trying to be even-handed in downsizing across all the geographies in which we do business, but there is no way of treating one region significantly different to another when you are trying to downsize your company."

The clear implication is that western Europe will not be treated as a *special case despite the size of its* market and its importance to IBM's recovery plans. So what are the likely consequences of significant retrenchment by IBM? The US giant, the world's largest computer maker, is, after all, the dominant *force* in European IT with total sales of $25bn last year. Sales of computing services were more than $2.5bn, making it the only company with more than 5 per cent of the European market.

It employs about 100,000 and operates 11 manufacturing plants in six countries. There are 12 research and development facilities, including telecommunications research at La Gaude in France and applications software development at Warwick in the UK. Four scientific centres *cover topics including scientific* computing in Rome and applied mathematics in Paris.

IBM Europe: a model for recovery?

Louis Gerstner, chairman and chief executive officer

UK
1992
Turnover
£3.75bn (down 5%)
Loss
£616m
Principal sites: Greenock, Havant, Winchester

Germany
1992
Turnover
DM13.8bn (down 6.8%)
Operating profit
DM272m
Loss
DM443m
Principal sites: Berlin, Mainz, Sindelfingen

France
1992
Turnover
FFr36.7bn (down 7%)
Operating profit
FFr2.4m
(before restructuring costs)
Principal sites: Montpellier, Corbeil-Essonnes, La Gaude

Italy
1992
Turnover
L8,500bn (up 1.5%)
Operating profit
Not available
Principal sites: Rome, Santa Palomba, Vimercate

The first signs of IBM's retrenchment in production are evident. Some 10,000 jobs are to go in western Europe this year, 2,600 of them in manufacturing. The company has in the past three months formally abandoned its time-honoured policy *of setting up identical manufacturing* operations in the US, Europe and Asia. Mr Kuehler said: "The trade-off from manufacturing in three regions is that you can carry out development and manufacturing in the countries you serve. But it leads to excess capacity which in today's world, we cannot afford."

Four European plants – Havant in the UK, a division of the Montpellier installation in France, Valencia in Spain and Jarfalla in Sweden – have been told they are only to remain open as "independent business units" run by their local managements. If they do not make a profit in 12 months they will close.

IBM's cool appraisal of the viability of its European plants is a break with its recent past. For two *decades the company has tried to* show that it is a "good European" with local roots. It has lobbied, often successfully, to be allowed to take part in research programmes aimed at improving the quality of European technology. Its rigorous attention to detail has helped improve the quality of the output of European components suppliers.

Will, therefore, retrenchment damage Europe's technological infrastructure?

Mr Michel Carpentier, director-general for IT industries at the European Commission, does not think the danger should be overstated. He says there is no sign that IBM intends to reduce its investment in Europe in a heavy-handed fashion.

The emphasis on downsizing might be a good omen for Europe's small and medium-sized companies which could compete in software and systems engineering without the need for heavy investment. He is concerned, however, that manufacturing might be transferred to developing countries with adverse consequences for jobs in Europe.

Industry observers also play down the threat. Mr Glenn Cuthbertson, vice-president and services director at the Gartner Group, a US consultancy, sees IBM's downsizing as a form of creative destruction: "It will release in Europe a lot of poorly used assets," he says. "We are not witnessing the break-up of a successful company. We are seeing *the coming apart of a very ineffi*cient producer of IT goods and services. It should be a net plus for the European economy."

As for IBM's sponsorship of academic research, the view is that a dash of realism can do nothing but good. "Some of those guys," one executive said, "did not know that IBM is a commercial company."

An important factor is that Europe seems at last to be set for growth in computing. According to Mr Dennis Exton of Merrill Lynch, the US brokerage house, the European IT market will grow by 6.8 per cent in 1994 compared with a forecast of 4.3 per cent this year.

A result will be that good ex-IBM staff will have no difficulty finding jobs. Mr Cuthbertson argues: "*IBM is already seeing a* level of attrition that it does not want. It is losing bright young salesmen with two or three years' experience who are going off to work for competitors. In a couple of years there will be a substantial rebalancing of resources. In this coming decade the factor limiting growth of the IT industry will be the availability of skilled people."

Mr Cuthbertson is among those who believe that IBM could bounce back quickly in Europe. IBM depends heavily on mainframe sales for its profitability and Europe has few large mainframes.

There are perhaps only 200 very large mainframe sites in Europe compared with at least 1,000 in the US. How, then, have IBM and other US mainframe manufacturers found Europe so profitable? By charging more for mainframes and disk memories in Europe than in the US. The cost of a unit of computing power was typically 34 per cent more in Europe than in the US through the 1980s. Then as the competitive pressures grew, IBM threw away the price book. In February, it launched 18 mainframes but did not publish a single price. That was left to negotiations between the buyer and IBM's sales team.

The result has been a price war between IBM and companies making machines of similar design – chiefly the Japanese companies Fujitsu and Hitachi and the US company Amdahl in which Fujitsu has a stake.

In the past two years the European mainframe market has suffered from the effects of both the recession and the price war. The damage has been widespread.

Mr Rolf Brillinger, managing director of Comparex, a German computer company which markets mainframes made by Hitachi, snapped exasperatedly: "These companies will have to consider whether it makes sense continually to cut prices. It is forcing them into losses and reducing the resources available for research and development." Comparex, owned by chemicals giant BASF, saw profits after tax halved last year.

The positive side of the coin is that without a substantial legacy of mainframe systems to be maintained and supported, Europe is ready to migrate quickly to information systems based on smaller, less expensive mid-range computers. The move would benefit smaller companies that have so far found mainframe computing too costly.

It could also benefit IBM: it has the products and the services staff to help customers install and run them. Mr Cuthbertson of Gartner says: "If IBM focuses on a mid-range strategy and gets it right, it could rebound quickly in Europe."

Additional reporting by Louise Kehoe

More changes to the letter of the law

Alan Pike on criticism of the Criminal Justice Act

The bill leading to the Criminal Justice Act formed the legislative centrepiece of the UK's 1990-91 parliamentary session, although it is safe to assume that most people were not even dimly aware of its contents.

Respectable, law-abiding citizens do not expect the act's world of criminal courts, custodial sentences and previous convictions ever to touch their lives. But public aware*ness has increased dramatically* since new provisions for linking fines to individual incomes came into force last October, and some respectable citizens have found themselves fined thousands of pounds for motoring offences.

Yesterday, amid growing criticism from judges, magistrates and MPs, Mr Kenneth Clarke, who inherited the act when he become home secretary last year, announced that a further bill would be introduced to change aspects of it.

The two areas of reform concern the act's provision for unit fines related to an individual's ability to pay, and restrictions on courts taking previous convictions into account when imposing sentences. Many magistrates believe the October provisions leave them with insufficient flexibility in sentencing, and several have resigned in protest since they came into effect.

It is rare for the government to seek to amend an act so soon after it has come into force. Pressure on *Mr Clarke to do so became hard to* resist in March after complaints in a speech by Lord Taylor, the Lord Chief Justice, that the act was forcing the judiciary into an ill-fitting straitjacket.

Lord Taylor, during a critical speech, related an anecdote about a young lawyer at a seminar who told a senior judge that, having re-read sections of the act, he now realised that they did make sense. "Read it again, you have obviously misunderstood it," replied the judge.

Judicial demands for action have been accompanied by mounting political pressure on Mr Clarke in the face of highly publicised examples of the peculiarities of the unit fine system. The most celebrated of these involved a £1,200 fine on an unemployed man for dropping a crisp packet, reduced last week to £48 on appeal.

Bizarre as it appears, both penalties are logical under the unit fine system. This bands an individual's weekly disposable income from £4 to a maximum £100. Magistrates then multiple the income figure by a selected number of units to reflect their view of the seriousness of a particular case. The man accused of dropping the crisp packet faced 12 units. He did not declare his income, and in such cases the maximum £100 per week income is assumed. When it was established that he was unemployed, this was reduced to the £4 minimum.

Magistrates say the October provisions leave them with insufficient flexibility in sentencing

Mr Clarke believes that the act's principle of linking fines to income is correct and intends to retain it. But the £4-£100 spread will be narrowed to reduce extreme variations in fine for the same offence. This will relieve many MPs, who fear respect for the law would be under*mined if better-off people guilty of* relatively minor offences felt that they were being punished for their economic circumstances.

Ministers believe some of the more breathtaking examples of high fines have arisen because courts have failed to appreciate the discretion available to them under the unit system. The Magistrates Association, whose representatives met Mr Clarke yesterday, is sending out new guidelines on the use of discretion.

Mr Clarke has less sympathy with the act's restrictions on the introduction of previous convictions. "I believe that a first-time offender is not the same as someone who goes out and offends again and again," he said yesterday. "I think courts should be able to take this into account." He says the forthcoming changes will be designed to "make the law work the way parliament intended when it passed the 1991 act". Penal reformers and probation officers fear otherwise.

The 1991 act has at its heart the liberal principle that the punishment of less-serious offenders *should shift from custody to the* community. Unfortunately for supporters of community penalties, however, the introduction of the act coincided with one of Britain's periodic outbreaks of anxiety over juvenile offenders. Mr Clarke's response, in spite of the act's intention to reduce the use of custody, has been to embark on a new generation of secure schools for 12-15-year-olds.

Penal reform organisations fear yesterday's willingness to amend the act is further evidence that, in the face of public opinion, the government will prove reluctant to defend the wider principles on which it is based.

OBSERVER

Italy's latest inside job

■ Stand up Antonio Fazio, the new governor of the Bank of Italy, who succeeds Carlo Azeglio Ciampi, Italy's new prime minister, as the eighth governor in the bank's 100-year history.

Age and experience appear to have counted in Fazio's favour over the two other internal candidates, Lamberto Dini, currently the bank's number two, and Tommaso Padoa Schioppa, its deputy director general.

Fazio, 57, was the most senior of the threesome, in terms of length of service at the bank, where he has worked all his life, notably on the research side, as chief economist. By contrast, both Dini and Padoa Schioppa have spent periods outside its walls. Dini worked for 17 years at the International Monetary Fund, while Padoa Schioppa has spent some time at the European Commission in Brussels.

However, Fazio's star only started rising at a relatively late stage in the race – especially after suggestions that Dini's powerful political connections might count against him rather than in his favour. *Given the current pace of* political change in Italy, knowing the right people in politics is no longer such an easy game to play.

In time, the bank may appoint a successor to Fazio as deputy director general alongside Padoa Schioppa. However, there is no lack of talented insiders and little sign of a desire to stir the pot.

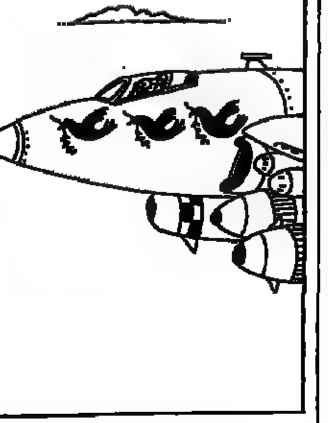
Female appeal

■ The resignation of Björn Engholm, debonair, pipe-smoking leader of Germany's Social Democrats, may be a source of regret for women voters, with whom he was always a big hit. Yet it could be a blessing in disguise for the women's lobby.

In Schleswig-Holstein, where Engholm was premier, the way is cleared for his deputy, Heide Simonis, to take over. Currently a no-nonsense finance minister, she has been much in the public eye as a tough negotiator in the annual public sector pay round. If elected in this month's polls, she would become the first woman leader at state level.

But she may not be the only female politician on the up. One name being mooted as a possible successor to Engholm as SPD leader is that of Renate Schmidt, the extrovert Bavarian party boss and deputy speaker in the Bonn parliament. She must be considered an outsider for the job – she claimed yesterday that she was "very probably" not in the running – *but she would certainly inject* a welcome breath of fresh air into next year's federal election.

A 49-year-old grandmother from Nuremberg who sports a shock of white curls, she is a fiery speaker



imbued with a touch of south German passion and an ability to challenge supporters of the male-dominated establishment.

Over the top

■ Has no-one told James Sherwood, Sea Containers' ebullient boss, that a private helipad atop one's building is these days considered, well, a little vulgar?

The company is seeking planning *permission to park its choppers* up to ten times a week on its Blackfriars office roof.

Vulgar or no, it was, however, the practical matter of noise that was on the minds of American-born Sherwood's neighbours as they trooped along to the recent two-week inquiry.

Next door is the Oxo tower, where plans for a roof garden restaurant as part of a big restoration could be dished by the proximity of whirring blades. Bang opposite is the Inner Temple, whose delegation argued eloquently for the listed buildings and the right to throw wide the single-glazed windows in the summer. And 73-year-old Sam Wanamaker, one of Sherwood's fellow countrymen, who is almost single-handedly trying to resurrect the Globe Theatre, delivered a rousing peroration on the subject of how the first Shakespearian words heard on the site since 1644 were well nigh drowned by a police whirlybird.

But then James Sherwood's Discriminating Guide to London would not have approved either. This neat little compendium detailing where to imbibe in the capital – both victuals and culture – published in the mid 1970s was quite stern about aural intrusion. A section entitled Not For Us included noisy eateries among the other pariahs.

Uncorked

■ *Two peeps behind the scenes* of the Californian wine industry recently – one of a public nature, the other not officially so.

Last week the king of Napa Valley, 80-year-old Robert Mondavi, announced that his family's winery was making its first share issue. A sobre matter, however, compared with the publication of a grippingly scurrilous unauthorised biography of the world's largest wine company built up by Ernest and Julio Gallo.

In Blood and Wine by Ellen Hawkes, Ernest, in his mid-80s, is portrayed as the domineering oldest brother who has bullied his way to establishing E&J Gallo as a secretive, conservatively-run, mass-market wine empire – achieving sales of around 70m cases worth more than $1bn a year, according to trade estimates.

Julio, who suffered a fatal road accident on one of the family's many ranches at the weekend, was officially in charge of wine-making, but is painted by Hawkes as a compliant softie. Meanwhile, the baby of the family, Joseph, was marginalised; even his own small cheese-making efforts were banned, after a bitter court case, from using the Gallo name.

But so powerful is the Gallo empire, based without so much as a nameplate in the small California town of Modesto, that this book represents virtually the first whiff of criticism of a winery more usually associated with its atmospheric advertisements.

Thought for today

■ Never tell a man in Berne or Basle a joke on a Wednesday. Why? Because he'll start laughing in church on Sunday.

FINANCIAL TIMES
Wednesday May 5 1993

Bundesbank criticised over failure to cut interest rates

By Quentin Peel in Bonn

GERMANY'S six leading economic institutes yesterday sharply criticised the Bundesbank for failing to cut its interest rates quickly and sharply enough to ease the country's recession.

In spite of a gloomy forecast that the west German economy would contract this year by 2 per cent, and that of the whole country by 1.5 per cent, the institutes' *spring report suggested that* a pick-up would start in the last quarter. That depended on the central bank continuing to reduce its interest rates steadily through the year, they said.

The German government also came in for sharp criticism in its financial policy, for excessive increases in the tax burden planned for the coming years and an inadequate effort to reduce public spending in the west to finance transfers to east Germany.

The trade union battle for rapid wage equalisation between *east Germany and the west*, for which thousands of steel and engineering workers launched a strike this week, was described as "drastically mistaken".

Economic forecasts for 1993
% real change (1992 in brackets)

	West	East	All Germany
Gross domestic product	-2.0 (1.5)	5.5 (6.8)	-1.5 (2.0)
Gross national product	-2.0 (0.9)	5.0 (7.4)	-1.5 (1.5)
Exports *	-1.5 (3.2)	8.0 (15.3)	-3.0 (-0.5)
Imports *	-1.0 (3.5)	2.0 (12.2)	-1.5 (2.1)
Capital investment	-2.5 (1.5)	14.5 (24.0)	0.5 (4.6)
Equipment	-7.0 (-2.7)	10.0 (13.3)	-4.5 (-0.6)
Construction	1.5 (5.6)	18.0 (34.2)	4.0 (9.1)
Public consumption	0.0 (1.0)	0.0 (4.5)	0.0 (2.8)
Private consumption	-1.0 (1.0)	-1.0 (5.4)	-1.0 (1.6)
Consumer prices	[illegible] (4.1)	6.5 (9.9)	4.5 (4.7)
Unemployed (millions)	*2.3 (1.8)*	*1.25 (1.17)*	*3.55 (2.98)*

** Figures for west and east include intra-German trade*

Overall, however, the economists, including in *their* ranks for the first time the Institute for Economic Research in Halle, eastern Germany, cautioned against excessive pessimism. They agreed that the economy was now clearly in a recession, but that it was close to its lowest point.

Causes of the sharp downturn were delays in reducing interest rates by the central bank and uncertainty as a result of the prolonged negotiations between the government, opposition, the 16 states, employers and trade unions, on a "solidarity pact" for east Germany.

An end to the decline in investment in equipment was in sight, thanks to declining interest rates and the probability of gradually recovering demand. There would nonetheless be a clear worsening in unemployment, with the average level reaching 3.55m during the year, compared with 2.98m in 1992.

The prime objective of economic policy must now be a rapid end to recession in west Germany, which would otherwise endanger the tentative recovery in the eastern economy, the institutes said. This inevitably would mean an increase in public sector budget deficits in the near term, although last year the deficit was reduced to 2.8 per cent of gross *national product from 3.2 per* cent in 1991.

Total financial transfers to *eastern* Germany by public sector bodies, including social security, are expected to reach DM170bn ($105bn) in 1993, compared with DM156.2bn last year.

What was now needed from the government was a "convincing" savings programme, in order to reassure the capital markets, the authors said, expressing some doubt that the "federal consolidation programme" agreed in the solidarity pact, would be enough.

Export of waste is burying Germany's neighbours, Page 2

Italy's Socialist leader calls for new leftwing grouping

By Robert Graham in Rome

THE break-up and realignment of Italy's traditional political parties was taken a step further yesterday by the appeal from Mr Giorgio Benvenuto, the Socialist leader, to create a new leftwing party with a fresh symbol.

In a special meeting of the *party leadership, Mr Benvenuto* said he would resign if his proposals were not accepted. Mr Benvenuto was brought in to head the 100-year-old Socialist party as a compromise candidate when Mr Bettino Craxi was forced to step down in February after being involved in the corruption scandals.

The proposal to reshape the party and shake off the publicly discredited image accumulated after years of abuse of power follows similar proposals from Mr Mino Martinazzoli, the Christian Democrat leader. The former Italian Communist party changed its name to the Party of the Democratic Left two years ago.

Mr Benvenuto, however, has felt obliged to act quickly because of the wave of protest against the party which followed the majority decision in parliament last week to block four requests by Milan magistrates to *have the immunity of Mr Craxi* waived to face corruption charges.

The decision led a number of prominent party members including Mr Giorgio Ruffolo, a former environment minister, to announce that they were resigning.

Since the onset of the corruption scandals last year, the party *has suffered a steady loss of* members both at the top and among the grass roots.

The latter has been of particular concern as the party draws up lists for municipal elections in June. Officials from a number of major cities have warned that the Socialist party, which won 14 per cent of the national vote last year, risks being wiped out unless it changes its name and symbol.

Yesterday, Mr Benvenuto called for a constituent assembly in June and demanded that all those in the party under investigation for corruption (more than 60) should step down. He also insisted that the party in parlia*ment approve immunity to be* waived in all cases where members were involved in demands by magistrates to investigate corruption.

Of his broader aim he said: "The object is to form as soon as possible – in other words before the next general elections – a new socialist grouping within a broad realignment of the left which can present itself to run the country."

The year of the great opportunity, Page 12

Antonio Fazio, yesterday named as successor to Carlo Azeglio Ciampi as governor of the Bank of Italy. Page 2; Observer, Page 13

Mr Carlo Azeglio Ciampi, the prime minister, has named *replacements for the PDS and* Green ministers who have resigned from his new government. The environment portfolio was given to Mr Valdo Spini, who briefly held the post in the Amato government. Finance, science and relations with parliament went to Prof Famco Gallo, an economist, Prof Umberto Colombo, head of the Enea research institute, and Prof Paolo Barile. Mr Livio Paladin, a judge, covers EC relations.

Japanese to stay in Cambodia despite killing

By Robert Thomson in Tokyo and Agencies in Phnom Penh

MR Kiichi Miyazawa, Japan's prime minister, is to hold a ministerial meeting today to review the intensifying conflict in Cambodia, where the ambush of a United Nations convoy yesterday led to the death of a Japanese police officer.

The prime minister, while describing the attack as "unpardonable", insisted that Japanese personnel would stay in Cambodia, although he demanded better protection for the 675 military and police officers taking part in the UN operation.

The dead man was named as *Mr Haruyuki Takada*, aged 33. Three other Japanese and at least five Dutch marine commandos were wounded in the ambush, which a UN official in Phnom Penh blamed on Khmer Rouge guerrillas.

The Khmer Rouge, which has refused to abide by a peace pact it and other warring factions signed in October 1991, has *vowed to disrupt elections sched*uled for May 23-28. It killed four Bulgarian peacekeepers in two attacks last month.

Mr Yasushi Akashi, the UN chief in Cambodia, travelled to Beijing yesterday to meet Prince Norodom Sihanouk, Cambodian head of state, about deteriorating security. The two are to attend a meeting tomorrow with representatives of Cambodia's four factions in hopes of ending the bloodshed. Mr Akashi, who is Japanese, is to discuss the attack with Prince Sihanouk. The prince yesterday appealed to the war*ring factions to work for peace.*

In Tokyo, Mr Yohei Kono, the chief cabinet secretary, said Japan had an important international responsibility as part of the UN operation in Cambodia, but the government was under increasing opposition pressure to recall the personnel.

"This incident is clearly a challenge to the UN peacekeeping forces and we cannot allow it," Mr Kono said. He and other Japanese leaders returned home early from their Golden Week holidays after learning of the attack.

Japan's Social Democratic *party, the largest opposition* party, called for the immediate return of the personnel, arguing that the intensified Khmer Rouge guerrilla attacks mean that Cambodia no longer fits the guidelines for a Japanese peacekeeping operation.

According to the guidelines, set after a more than a year of public debate, Japanese personnel should not be despatched if a ceasefire agreement collapses.

Most of the 600 Japanese military personnel are engaged in transport work, while 75 police officers assist with *traffic control.*

Major faces climbdown over fresh vote on Maastricht

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, UK prime minister, was facing the prospect of a damaging climbdown over the Maastricht treaty last night after the Speaker of the House of Commons ruled that MPs should be given another chance to vote on its social chapter.

The ruling by Miss Betty Boothroyd, reversing an earlier *decision by Mr Michael Morris,* the deputy speaker, precipitated a confrontation on the eve of a by-election tomorrow and of nationwide county council polls.

It gave opposition parties and members of the ruling Conservative party opposed to *Maastricht* the chance they had been seeking for months – to use the social chapter to overturn the government's majority on the treaty.

Amid conflicting legal opinions on the significance of the proposed amendment to the Maastricht bill, victory for the government's opponents would set the stage for a protracted legal battle over ratification.

It appeared last night that, left with the unpalatable *choice of* defeat or retreat in the House of Commons, Mr Major will prefer the latter.

That would mean acceptance *today of* an opposition Labour amendment designed to dilute Britain's opt-out from Maastricht's social provisions.

Mr Major's aides insisted that the amendment would not in the end affect British ratification. Advice given to the prime minister by the attorney-general suggests that the amendment – tortuously worded to meet the arcane *procedures of the House* of Commons – would be a legal irritant rather than a substantive obstacle.

The official line from Downing Street was: "The government does not take the view that the amendment if passed would prevent ratification of the Maas*tricht treaty*". *Aides added that* the opt-out from the social chapter would also remain intact if the amendment, known as amendment 2, was passed.

That assessment was fiercely rejected by Conservative party opponents of the treaty who insisted that the amendment would effectively wreck ratification by preventing the operation of the treaty's social dimension. If the government presses ahead regardless, the sceptics will challenge it in the High Court through the procedure known as *judicial review.*

THE LEX COLUMN

Turbulence at GPA

FT-SE Index: 2812.6 (-0.5)

GPA is at last having to realise that survival depends on more than cramming a first class cabin with classy non-executive directors such as Lord Lawson and Sir John Harvey-Jones. These failed to prevent its financial crisis. But the looming payments on GPA's bond issues leave little time for recriminations. After its failure to sell new equity even at $1 a share, a deal with bond holders, if one can be agreed, is only part of the solution. The size of GPA's bank debt means it must still find a new source of equity. Otherwise it will be difficult to scale down its business in an orderly way.

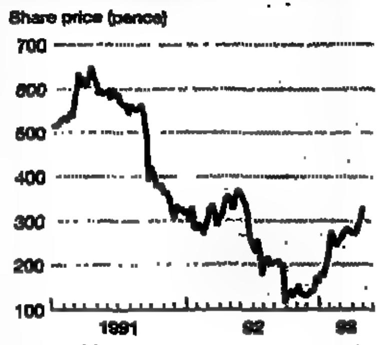
Lending to GPA will go down as another error of judgment by international banks who were initially attracted by the security it offered. *This was important after the develop*ing country debt crisis of the early 1980s. But the banks fell into two traps akin to those that snared them in property lending. They vastly overestimated the demand for new aircraft and their obsession with security led them to pay too little attention to GPA's cash flow.

GPA is now, however, so big that it needs to be kept going to prevent *havoc in the aircraft market. The pain* of collapse would be felt not only by manufacturers who have already seen their orders slashed. The forced sale of GPA's fleet would erode still further the value of the banks' security. Then there is the additional problem of the partnership leases which depend on GPA continuing as a going concern. Whatever the solution, it would be preferable to find a way of ensuring that GPA's *existing managers* can continue to run the day-to-day leasing operation. They have acquitted themselves well in this regard – which cannot be said about the board's involvement with grander strategy.

BAe/Matra

There is a traditional military logic in a merger between the missile businesses of British Aerospace and Matra. The two companies have roughly complementary weapons systems and sell into different geographical markets. Where they do overlap, they can stop competing aggressively and cutting each other's margins, where they do not, they will have a chance to cross-sell systems. As is the way with such military deals, the rationale contains little about saving money. Joint marketing may save some cash, but manufacturing capacity will probably have to be maintained. If a merger would

British Aerospace



Source: FT Graphite

not provide any of the financial benefits normally associated with rationalisation, it is at least a sensible response to shrinking European defence spending.

The combined missile business would be better able to challenge DASA, Hughes and Raytheon for what business is going. Presumably, both *parties have also ensured that* Aérospatiale would not be able to pressure the French government into an all-French ordering policy. And the mooted deal confirms the new BAe management's reputation for hitting the target. What remains unclear, though, is whether either party is using the merger talks as a way to sidle out of the missile business. That still looks unlikely, but such joint ventures do provide the ideal cover.

BT

BT seems to be cast in the role of perpetual bridesmaid in the US telecoms business. The company was engaged to McCaw only to see the cellular operator marry AT&T. It has also walked out with IBM and the US long-distance companies MCI and Sprint. Latterly, BT cuddled up to the computer company EDS, but the latter's attempts to divorce General Motors to move in with BT seem to have proved too messy.

The difficulty in finding a suitable partner *raises* questions about *BT*'s strategy. A desire to take part in the world's largest telecommunications market is understandable. Yet, if it were to attempt a link-up with one of the large US long distance operators such as MCI or Sprint, it would face large regulatory problems. Ties to the regional 'Baby Bells' might be less controversial, but being restricted to the areas around Atlanta or San Fran*cisco might feel* a little cramped. Buying computer companies would certainly be easier, but the telecommunications benefits are more nebulous and Byzantine arguments are needed to justify such deals. BT may chip away at *the US market if it* gets permission to lease capacity and resell it to other customers, but that hardly provides the critical mass for a serious North American challenge.

One engine of BT's ambition is its financial strength. Yet it appears unable to use its balance sheet or swelling cash flow effectively in Europe or in the US. Perhaps it should widen *its gaze* and consider participa*tion in basic telephony elsewhere*, or even other areas such as credit card processing or smart card development in the UK. If all else fails, subscribers to BT3 will welcome the higher dividend payments that the limits of imperial ambition would bring.

US economy

The US index of leading indicators *has occasionally* proved so misleading that one should not set too much store by March's 1 per cent fall. Storms and blizzards had a generally depressing effect on economic indicators for that month. More worrying is Monday's fall in the purchasing managers' index which suggests that there was no rebound in April. If Friday's employment figures also turn out weak, it will be hard to escape the conclusion that the recovery has gone awry.

More surprising is that the latest data has not put the dollar under greater pressure. Though the dollar has fallen nearly 10 pfennigs since early March, the currency market seems reluctant to abandon the positive view with which the year began. This had the dollar rallying sharply on the back of a strong US recovery, offset by recession and lower interest rates in Germany.

So far, only part of this expectation has been fulfilled. Germany has moved deeper into recession and the Bundesbank is cutting rates, albeit cautiously. The D-Mark is no longer a *haven for those disillusioned with the* US recovery. The quest for an alternative may help explain the strength of gold. But that also means the dollar is being supported by D-Mark weakness, a phenomenon which cannot last indefinitely, especially now the Clinton honeymoon is fading.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	14	57	Frankfurt	S	15	59	Majorca	[illegible]	22	72	Oporto	F	22	72	Tenerife	F	19	66
				Brussels	C	12	54	Geneva	S	18	64	Malaga	F	22	[illegible]	Oslo	R	7	45	Tokyo	F	16	61
				Budapest	S	25	77	Gibraltar	C	17	63	Malta	F	20	68	Paris	C	15	[illegible]	Toronto †	C	14	57
Ajaccio	S	19	66	Buenos Aires	R	20	68	Glasgow	S	11	52	Manila	[illegible]	36	97	Prague	F	11	52	Tunis	S	21	[illegible]
Algiers	F	21	70	Cairo	S	28	82	Helsinki	S	15	59	Melbourne	C	14	57	Reykjavik	[illegible]	3	37	Valencia	F	20	68
Amsterdam	S	15	59	Cape Town	S	19	66	Hong Kong	F	22	72	Mexico City	C	25	77	Rhodes	S	19	66	Venice	S	24	75
Athens	S	20	68	Caracas	R	31	88	Innsbruck	F	18	64	Miami †	F	24	[illegible]	Rio d'Janeiro	C	32	90	Vienna	[illegible]	16	61
Bahrain	S	33	91	Casablanca †	C	20	68	Inverness	R	11	52	Milan	S	23	[illegible]	Rome	S	19	66	Warsaw	C	14	57
Bangkok	F	36	97	Chicago †	C	15	59	Islamabad	F	38	100	Montreal †	C	14	57	Salzburg	C	13	55	Washington †	C	16	61
Barcelona	S	19	66	Cologne	S	[illegible]	57	Istanbul	S	16	61	Moscow	F	19	66	S'Francisco †	S	10	50	Zurich	C	14	57
Beijing	S	24	75	Copenhagen	[illegible]	[illegible]	54	Jakarta	R	32	90	Munich	[illegible]	[illegible]	65	Seoul	S	23	73				
Beirut	S	20	68	Corfu	S	20	68	Johannesburg	[illegible]	21	70	Nairobi	R	23	73	Singapore	[illegible]	33	91				
Belfast	S	11	52	Dallas †	S	13	55	Lisbon	R	14	57	Naples	F	22	72	Stockholm	S	13	55				
Belgrade	F	23	73	Dublin	[illegible]	[illegible]	56	London	S	13	55	Nassau	C	27	81	Strasbourg	S	15	59				
Berlin	[illegible]	14	57	Dubrovnik	F	22	72	Los Angeles †	S	14	57	New Delhi	S	40	104	Sydney	S	18	64				
Bermuda	[illegible]	22	72	Edinburgh	S	13	55	Luxembourg	C	15	59	New York †	Fg	11	52	Taipei	[illegible]	25	[illegible]				
Bombay		–	–	Faro	[illegible]	17	63	Madeira	F	18	64	Nice	S	18	64	Tangier	C	[illegible]	64				
Bordeaux	S	20	68	Florence	S	23	73	Madrid	S	[illegible]	66	Nicosia	R	18	64	Tel Aviv	S	33	91				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Wednesday May 5 1993

INSIDE

Bass discusses stake in Prague brewer

Bass, the British brewer, is negotiating to buy a large stake in Prazske Pivovary (Prague Breweries), the Czech Republic's second largest brewer privatised last year. The companies would not comment, but western investment consultants in Prague said talks between Bass and a consortium of investment funds have continued for some months. Page 16

Botin family fuels lending war

Spain's powerful Botin family delivered its second assault on the domestic financial sector within a week with the announcement that Bankinter, its smaller retail banking unit, was offering interest of 16 per cent on one-month deposits of Pta1m ($8,695). Page 16

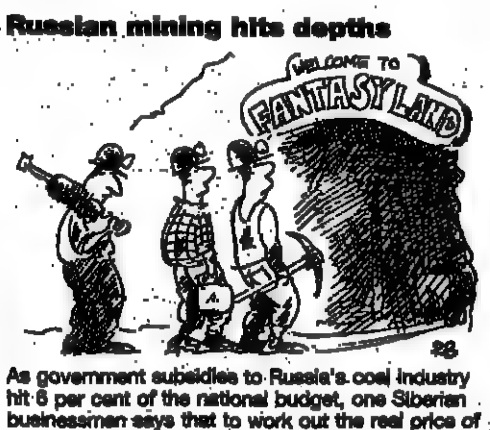
BCE falls by a third to C$221m

Falling telecommunications profits, a lower contribution from Northern Telecom and charges hit first-quarter results at BCE, Canada's biggest telecommunications group and holding company for Bell Canada and Northern Telecom. Page 18

Iveco's metamorphosis

Survival stakes for Europe's hard-pressed truck-makers are dauntingly high. Iveco, the commercial vehicle division of Fiat of Italy, has invested L5,000bn ($3.35bn) to transform its products and manufacturing operations. Mr Giancarlo Boschetti, claims Iveco has gone through a "corporate metamorphosis – a butterfly emerging from a chrysalis". The question is, how well the butterfly can fly? Page 17

Russian mining hits depths



As government subsidies to Russia's coal industry hit 6 per cent of the national budget, one Siberian businessman says that to work out the real price of coal would be "fantasy-land economics". But, as production slumps, nightmare might be a better analogy for Russia's huge mining community. Page 27

Australia switches TV rules

The Australian government has again been forced to amend its policy on subscription television, to contain embarrassment over the outcome of last week's initial licence bidding round in which two unknown companies beat Mr Rupert Murdoch's News Corporation and Mr Kerry Packer's Channel Nine television network, to general astonishment. Page 19

Manila stays near record

The Manila stock market continued in record territory, taking its lead from Philippine Long Distance Telephone's overnight gains on Wall Street. The composite index touched an all-time high of 1,645.76 in late dealing before easing to close up 21.06 at 1,636.52. Back Page

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DnB	19	Samsung	19
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Edgars	19	Somerset Trust	21
Enterprise Computer	22	Spear (JW)	21
Farnell Electronics	9	Storehouse	22
GMEN	22	Tenega Nasional	19
Goodhead	22	Thames Water	28
Hafslund Nycomed	17	Thomas Cook	22
Hillsdown	22	Tomkins	22
Holderbank	16	Trafalgar House	21
Hongkong Land	21	USAir	18
		Unilever	22

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko Prf	485	+	21
Colonia Kon	983	+	28
SEHE	382.5	+	7.5
Falls			
Klockner Werke	47	–	5.1
Lahmeyer	615	–	10
Rheinelektra	910	–	20

NEW YORK ($)

Rises			
Comcast	20⅝	+	1⅜
Exchange Cable	33¾	+	4⅛
Intel	100⅝	+	3⅛
TCA Cable	22¼	+	2
Time Warner	35⅝	+	2⅛
Falls			
Readers Digest	41⅛	–	5⅛

PARIS (FFr)

Rises			
Gaumont	550	+	25
Seb SA	441	+	16
Falls			
Air Liquide	738	–	12
Pernod Ricard	408.5	–	16.4
Redoute	7660	–	130
Valeo	738	–	8

Tokyo closed. New York prices at 12.30.

LONDON (Pence)

Rises			
Aerospace Eng	19	+	4½
Aran Energy	30½	+	3
Bryant	146	+	6½
Ex-Lands Wrts	15	+	[illegible]
Fife Indmar	40	+	5
Hillsdown	164	+	7
Huntingdon Int	136	+	9
Ingham	118	+	5
Kingston Oil	55	+	5
Manchester Utd	463	+	11
MSM	56	+	5
Pearson	447	+	[illegible]
Sindall (Wm)	103	+	25
Tinsley (E)	82	+	8
Tiphook	240	+	6
Falls			
Campari Int	133	–	45
Owners Abroad	100	–	7
Pentos	51	–	4
Volex	389	–	23
Wickes	109	–	6

Japanese banks step up Kumagai rescue

By Robert Thomson in Tokyo

THE Long-term Credit Bank of Japan will send the head of its London branch back to Tokyo to oversee the restructuring of international operations at Kumagai Gumi, the Japanese contractor and property developer, burdened by about Y700bn ($6.3bn) in debt.

LTCB's move follows the transfer of an executive at Sumitomo Bank to assist restructuring of Kumagai's domestic operations, hurt by the collapse of Japanese property prices and by financial exposure to unsuccessful resort developments.

The joint effort by the two leading Japanese banks highlights the seriousness of the situation at Kumagai, which has struggled in domestic and international markets to meet a goal, set last year, of selling Y300bn in properties over five years to reduce its debt.

Mr Yasunori Fujii, general manager of LTCB's London branch, is expected to return to Japan at the end of this week and be formally appointed senior managing director of Kumagai, responsible for international business, at a board meeting next month.

LTCB officials said the bank has become involved because it backed some of Kumagai's ventures and has a small shareholding in the company, which had an envied reputation in the 1980s as a successful international contractor.

But the company has begun to retreat from the international market, and over the past three years overseas receipts have fallen from 25 per cent to 8 per cent of sales.

Kumagai has already been forced to sell cherished assets, including a self-developed office complex in Reading, in the UK, sold in late March for a reported Y7.7bn.

It has also raised funds by reducing a stake in the increasingly independent Kumagai Gumi (Hong Kong), which is particularly successful in the Chinese market.

Three years ago, Kumagai had a 35 per cent stake in the Hong Kong company, but that will be reduced to just over 6 per cent.

Transfer of bank staff is the preferred Japanese method of restructuring an ailing company, as it sends a clear signal to other creditors that the banks have no intention of allowing the company to collapse. However, the lead banks are expected to accept a reduction in interest payments on their own exposure to the troubled company.

Missiles industry locks on new course

David White and Paul Betts on the move to joint ventures in Europe's arms sector

THE rationalisation of Europe's defence industry yesterday gathered speed with confirmation that British Aerospace and Matra of France are in advanced negotiations to merge their guided weapons activities into a joint company.

At last September's Farnborough Air Show, Mr Noel Forgeard, head of the Matra conglomerate's core defence and space activities, was insisting that "in the missiles business, something has to be done". At the time, Matra had started talks with BAe about a possible link of their respective guided weapons activities. This led to the proposal to form a joint company with annual sales of more than £1bn ($1.54bn) and employing 8,000 people. It would be big enough to compete against larger US missiles manufacturers.

"It is impossible to avoid a restructuring of the missile industry in Europe in the face of what has happened in the US where they are regrouping into gigantic companies," a Matra official said yesterday.

The Cold War spawned more companies in Europe and the US making missiles or systems for missiles than could survive in an age of diminishing government defence budgets.

In the US, a reshuffle of the industry has begun in earnest, with Loral's takeover of the former LTV group's guided weapons activities and the sale of General Dynamics' powerful missiles division to Hughes Aircraft, part of General Motors.

Hughes and Raytheon, makers of the Patriot, the ground-to-air defence missile used in the Gulf war, are in a class of their own by sheer size, setting a challenge to medium-sized manufacturers on both sides of the Atlantic.

Cross-border collaboration on a variety of weapons in Europe, designed to pool expertise and meet the high cost of developing new systems, has proved only a partial solution. Agreements have often proved fragile and contentious, with too many collaborative ventures competing for a shrinking market.

In the late 1980s, BAe and Matra became increasingly aware of the need to forge more stable cross-border partnerships with other European manufacturers through joint venture companies and equity links.

BAe, which launched a sweeping restructuring of its Dynamics missiles division in 1988, first attempted to forge an Anglo-French missiles merger in 1989 with Thomson CSF, the French state-controlled defence group.

The merger of BAe's and Thomson CSF's missiles activities would have created Europe's biggest guided weapons company called Eurodynamics. But the deal collapsed after negotiations were delayed for more than a year by monopoly investigations.

BAe sees Matra providing a new opportunity to forge an Anglo-French missiles merger. The original plan was to build on a takeover of BAe's space activities by Matra Marconi Space, a joint venture between Matra and GEC-Marconi of the UK. But the two sides could not agree on a price and the takeover fell through. That did not prevent the two companies continuing and intensifying discussions on the missiles front.

For Matra, BAe offered a chance to establish a joint venture company which could be widened to embrace other French, British and German companies.

Through a joint venture company with BAe, Matra sees an opportunity to take a leading part in a much-mooted reorganisation of the industry in France, possibly including Germany's Deutsche Aerospace, the aerospace and defence arm of Daimler-Benz. Matra, which otherwise risked playing a secondary role to Aerospatiale and Thomson CSF in the current French plans to rationalise its missiles industry, will considerably strengthen its negotiating position if it quickly finalises an agreement with BAe.

Both BAe and Matra said yesterday that their products were largely complementary, with BAe strong in air-to-air missiles and Matra in ground-to-air weapons. The main conflict of interest between Matra and BAe is in medium-range air-to-air missiles: the French company's Mica and a new "fire-and-forget" version of BAe's Sky Flash.

In January, Mr John Weston, managing director of BAe's defence activities, confirmed he was looking for strategic partners: "Quite obviously there are some significant international movements at the moment in the consolidation of the industry. If we can find the right joint ventures, with the right sort of financial structure that suits everybody's shareholders, then yes, we are open for joint ventures."

But a BAe-Matra agreement could set the stage for even broader rationalisation of the UK guided weapons industry. Matra has already raised the possibility of further "vertical integration" which might include GEC-Marconi, the traditional supplier of guided systems for BAe missiles.

GEC-Marconi has its own whole-system missile business, a secretive venture it bought from Ferranti International, with a lucrative contract for Abu Dhabi. But its ambitions to evolve into a leading prime contractor for guided weapons have so far failed to bear fruit.

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GPA to talk with holders of bonds

By Roland Rudd

GPA GROUP is to negotiate with its bondholders after its board yesterday discussed new restructuring options including a plan aimed at swapping more than $2bn in unsecured debt into equity.

The financially troubled aircraft leasing company is expected formally to start talking with its bondholders at the end of the week.

The decision effectively marks the end of its current restructuring plan which excluded the possibility of asking bondholders to make concessions.

However, GPA's failure to raise new equity at $1 a share means its lenders will not allow it to pay the $220m of bonds that mature in May and June.

Its banks are now expected to give it a further temporary waiver of breaches on its banking covenants on Friday on the understanding that talks with bondholders take place.

One lead banker said: "GPA realises it has to do a deal with its bondholders, which will close the door on the future possibility of raising money from the capital markets."

In a separate move the group is expected to promote Mr Phil Bolger, who runs the leasing business, and Mr Patrick Blaney, chief operating officer, to its main board.

Lenders to the group are concerned a split could occur between middle management, which is effectively running the business, and senior directors involved in the restructuring.

While some bankers would like to see the early departure of Mr Tony Ryan, chairman and founder, there has been no co-ordinated pressure from lenders for a change in GPA's top posts.

The group had hoped to make one further attempt to raise equity from new investors after most banks agreed in principle to defer $1bn of debt repayments until 1996.

However, the few outside shareholders who expressed interest in taking new shares said GPA should seek concessions from bondholders.

General Electric has been in discussions with GPA about the possibility of buying assets and taking warrants to subscribe for new shares at a later date. But the US company has not been willing to take part in the convertible preference share issue on GPA's terms.

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Banesto plans biggest capital increase in Spanish history

By Peter Bruce in Madrid

BANESTO, the large Spanish commercial bank, said yesterday it had decided to make a capital increase worth about Pta130bn, ($1.12bn) the largest in Spanish history, in a three-stage plan co-ordinated with JP Morgan.

The plan, preliminary details of which were made public in February, would be used to strengthen the bank's capital base, Banesto said. The bank's BIS ratio would rise from 9.3 per cent to 12 per cent as a result of the capital increase. A weak capital base has long been a drag on Banesto's profitability, analysts say.

Banesto said the three phases of the plan, which had also attracted a promised investment from GE Capital, would involve:

- A three-for-one rights issue, announced in February, designed to raise Pta52.66bn in new capital. New shares would be priced at Pta1,500. JP Morgan's $1bn Corsair bank fund will invest $200m in this issue, offering an extra Pta400 per share for subscription rights. This could give the JP Morgan fund a stake of close to 10 per cent in Banesto.
- A placement, with investors, of 22.2m shares worth Pta42.25bn. Some $20m of this will be shares distributed by the bank to employees. The shares will be priced at Pta1,900. Banesto said this was 27 per cent more than current shareholders had paid but the bank's stock closed in Madrid yesterday at Pta2,350.
- A $400m convertible bond issue abroad. Banesto said the five years bonds would carry a coupon of between 6 and 7 per cent and help increase the bank's second-tier capital.

Although some analysts in Madrid questioned how the bank would meet its dividend obligations next year to a much wider group of shareholders, the plans have been greeted positively. The presence of JP Morgan as leader of the Corsair group has lent credibility to the operation.

Banesto's successful sale earlier this year of its Banco de Madrid affiliate to the Deutsche Bank for Pta42bn has also greatly strengthened market confidence in the bank.

Banesto was, nevertheless, vague last night about what it intended to do with the money it was raising, saying it wanted to attract first-rate shareholders, to strengthen collaboration with Banco Totta and unite the interests of the board and the bank's workforce.

Eight Lloyd's syndicates close

By Richard Lapper in London

STURGE HOLDINGS, the biggest group of Lloyd's agencies, yesterday surprised the London insurance market by closing eight syndicates – including two of the market's largest – and dismissing 40 staff.

The closures are part of a rationalisation geared to improve efficiency, strengthen management and attract fresh capital – including corporate investors – to Sturge's remaining 15 syndicates. They follow the announcement last week by Lloyd's of its new business plan, which aims to guide the market to profitability.

"We have carried out an effective cull and tied our thinking in with the business plan," said Mr Terry Hayday, chief executive.

The group, which is chaired by the former Lloyd's chairman, Mr David Coleridge, announced the resignation of its finance director, Mr Peter Davis, earlier this year and has now sacked 170 of its 1,320 staff since September.

The closure has caused consternation among brokers who suggested the market's capacity to accept business could be adversely affected since both syndicates 206 and 210 were regarded as leaders in marine and United States non-marine business respectively, often accepting large individual risks on their own account.

"It is terrifying that a group of that size could do something so radical," said one London broker. "Capacity will be tight all round."

Mr Hayday said that each of the eight axed syndicates had performed poorly in 1990 and in some earlier years and were unlikely to be able to attract support, either from Names – the individuals whose assets currently back Lloyd's – or new corporate investors.

Syndicate 206 lost £61.53m ($94m) (compared with capacity of £175.8m), while syndicate 210 also faces a deficit of £68.06m (capacity of £183.97m). The six other axed syndicates also incurred losses in 1990: they are 203, 209, 428, 212, 782, and 950.

The losses reflected poor trading conditions generally although syndicate 782's losses reflected £3.4m in claims from a scheme to compensate local authorities for employing supply teachers to cover for sick colleagues.

Mr Hayday said he hoped to stem the decline in the agency's capacity to its present level of £725m by attracting fresh corporate capital.

Bass negotiates for large holding in Prague brewer

By Patrick Blum in Prague

BASS, the British brewer, is negotiating to buy a large stake in Prazske Pivovary (Prague Breweries), the Czech Republic's second-largest brewer which was privatised last year.

The companies would not comment on the negotiations, but western investment consultants in Prague said talks between Bass and a consortium of investment funds have continued for some months.

At the beginning of negotiations, Bass is said to have been seeking a minority position in the Czech company, with the aim of gradually raising its stake through capital injections. An analyst said yesterday: "They wanted something in the 35 to 40 per cent range, which was roughly the amount of shares available through the large [investment] funds. I don't think that's changed."

The consortium includes some of the largest Czech investment funds which gained control of most of the 72 per cent of the company's shares sold in last year's voucher privatisation. The funds have yet to receive the shares from the government, but they are acting as de-facto owners. "They got together and agreed on a strategy for selling the brewery," the analyst said.

The share transfer, due last month, was postponed because of a dispute between Prague and Bratislava.

Other shareholders include the National Property Fund, which oversees privatisation, with 10 per cent; employees (10 per cent); Pragopivot (5 per cent), and the Restitution Fund (3 per cent). Total common equity is Kcs880.5m ($31m).

The Czech company was established in 1948 and has three large breweries. In 1991, it reported a pre-tax profit of Kcs217.7m on sales of Kcs1.03bn.

SE Banken firm in heavy trade

By Hugh Carnegy in Stockholm

SHARES in Scandinaviska Enskilda Banken yesterday *stood at more than twice their value of a week ago as market* sentiment that the worst of Sweden's banking crisis may be over fuelled more heavy trading in the stock of the country's biggest, but loss-burdened, bank.

SE Banken's most-traded A shares closed last night at SKr16.50, down slightly from Monday's close of SKr17 on profit-taking, but still far ahead of their level last Tuesday of SKr7.60.

Although the surge in price of the past two trading days was checked, the number of shares traded – 10.4m – was 24 per cent ahead of Monday's volume.

The dramatic rally was touched off when Mr Björn Svedberg, the chief executive, told the bank's annual meeting on April 27 that first-quarter operating results before loan losses would show an improvement.

This hint of recovery after last year's full-year operating loss of SKr5.37bn ($705m) was followed by an announcement from Svenska Handelsbanken that it would show a first-quarter profit, with lower-than-expected loan losses, and a fall in first-quarter losses at Gota Bank.

Analysts said the combination of a brighter outlook for the banks and the low price of SE Banken shares set off the rally. But they warned there were still high risks attached to the banking sector, which would continue to carry high loan losses this year and next.

SE Banken, apparently itself concerned that the market turnround may be premature, repeated advice to investors that it considered the outlook for its shares to be "uncertain".

Holderbank income jumps 54%

By Ian Rodger in Zurich

HOLDERBANK, the multinational cement group controlled by Mr Thomas Schmidheiny, said its consolidated net income jumped 54.2 per cent last year to SFr390m ($267m) on sales up 19.5 per cent to SFr7.8bn.

Cement and clinker deliveries rose 12.3 per cent to 43.1m tonnes, and ready-mixed concrete sales advanced 10.6 per cent to 13.2m cubic metres.

Shipments of aggregates increased by 8.7 per cent to 52.9m tonnes.

The financial figures were composed under international accounting standards (IAS) for the first time, and comparative results for 1991 were adjusted.

Holderbank said cash-flow from operations jumped 82.5 per cent to SFr1.15bn.

Spending on plant and equipment was up 24 per cent to SFr761m.

The holding company, Holderbank Financière Glaris, reported a 9 per cent rise in net profit to SFr75.3m after making SFr39.3m in provisions, up from SFr12m in 1991.

The directors are proposing unchanged dividends of SFr12.50 per bearer share and SFr2.50 per registered share.

German banks in co-operation venture

By David Waller in Frankfurt

BHF-BANK, the Frankfurt-based merchant bank, is set to forge a co-operation agreement with the Düsseldorf-based IKB Deutsche Industriekreditbank, an institution which specialises in providing long-term finance to small and medium-sized businesses.

The agreement, announced after the stock market closed yesterday, is to coincide with a share swap agreement under which BHF has taken a 10 per cent stake in IKB whilst the Düsseldorf institution will acquire 3.5 per cent of BHF's share.

No price was given for BHF's share purchase, but it is likely that it paid about DM190m ($118m) for the IKB holding.

The move is the bank's second large expansion move within months, following its £235m ($361.9m) agreement to buy jointly a 90 per cent stake in Charterhouse, the UK merchant bank with Crédit Commercial de France.

The German banks said that the agreement is to focus on a number of business areas including the provision of credit for companies, export and credit financing, as well as mergers and acquisitions and other types of corporate finance advisory work.

BHF increased group operating profits by 6.9 per cent last year to DM366m. Group business volume is DM54bn compared with DM37bn at IKB. The two banks have for the past 10 years worked together via a jointly-owned property leasing company.

At the same time, the two banks said IKB and Crédit National, its French co-operation partner, would be taking a 5 per cent cross-holding in each other with the aim of intensifying financing business for Franco-German investment.

Botin family fuels Spain lending war

By Tom Burns in Madrid

THE POWERFUL Botin family delivered its second assault on Spain's domestic financial sector within a week with the announcement yesterday that Bankinter, its smaller retail banking unit, was offering interest of 16 per cent on one-month deposits of Pta1m ($8,695).

The development followed a rapid counter-attack by most of Spain's leading banks which sought to neutralise a bold initiative by Banco Santander, the Botin family's major bank, to capture the domestic mortgage market by offering sharp rate cuts to homebuyers.

Santander launched a "lending war" on Friday by cutting its variable mortgage rate by 0.75 per cent to 11.50 per cent and by offering, as a new product, 12-year mortgages at a fixed 11.50 per cent. With the notable exception of Banesto, all Santander's rival banks had by yesterday announced similar rate cuts.

Although Bankinter and Santander are formally separate institutions Mr Emilio Botin, chairman of Santander, is deputy chairman of Bankinter and his brother Mr Jaime Botin, chairman of Bankinter, is deputy chairman of Santander. The Botin family owns nearly 6 per cent of Santander and, both directly and indirectly, close to 50 per cent of Bankinter.

The interest rate now being offered by Bankinter is well above anything that is being offered by the domestic high street banks. At best, depositors could obtain around 13 per cent for one-year deposits in excess of Pta20m. Bankinter, which is very tightly managed bank, is able to offer 16 per cent because it is a net lender on the interbank market where current rates are between 15.75 and 17 per cent.

Overheads at Bankinter are minimal – a key element in the 16 per cent interest on offer is that clients may arrange their high interest deposits on the phone – and the bank is clearly willing to accept a very small margin in order to widen its deposit base.

Analysts believe that the Bankinter will create a major stir within the banking sector. *"It is a very attractive and* very aggressive initiative," said Mr Benito Vera of Credit Lyonnais Securities in Madrid.

Santander, which has an extremely large deposit base largely as a result of a pioneering venture into high interest accounts four years ago, is now pursuing the strategy of breaking forcefully into the mortgage market. Mortgages have up to now been dominated by the savings banks and by the state-controlled institutions of the Argentaria banking group.

At present, Santander has a mortgage market quota of less than 4 per cent and loans to homebuyers represent only 8 per cent of its total lending. The bank says it intends to raise its mortgage activity to represent between 25 and 30 per cent of its loans, a proportion which is considered normal among European banks.

Argentaria was the first to introduce rate cuts in response to Santander and Banco Bilbao Vizcaya (BBV) and Banco Central Hispano (BCH) have both since joined the "lending war" fray. Analysts said the cost of the competition could be heavy for both BBV and BCH and could be prohibitive for Banesto should the latter bank also cut its rates.

Banesto said, however, it had not considered any change to its lending policy. "We do not believe that it is in our interests to do so," said a Banesto spokeswoman.

Bancario San Paolo in operational shake-up

By Haig Simonian in Milan

ITALY'S banking sector could be set for further rationalisation with signs that Istituto Bancario San Paolo di Torino, the country's biggest bank in terms of assets, may merge operations of its two big regional banking subsidiaries into the parent.

The news comes with an admission by the bank, which floated 20 per cent of its shares last year, that it is also considering changing its articles of association to allow a majority of its equity to be listed.

San Paolo is one of *six big* Italian banks, formally owned by charitable institutions, which are closely associated with the public sector.

So far, only two have listed their shares, and none has gone beyond floating a minority of its equity capital.

The bank's board last week took the first step to incorporating its big Banco Lariano and Banca Provinciale Lombarda subsidiaries by commissioning a study to consider the effects of their merger with the parent company.

The move has been mooted before, but it is the first time the bank has taken firm action to pursue it further.

Banco Lariano, based in Como and 85 per cent owned by San Paolo, has assets of L18,805bn ($12.6bn).

Assets of Bergamo-based Banca Provinciale Lombarda, which is 70 per cent owned, totalled L17,397bn at the end of 1992.

San Paolo itself has total assets of L150,613bn.

Incorporation of the subsidiaries both of which are listed on the stock market, could provide considerable tax and cost savings.

However, the move has always been rejected on the grounds that it would risk alienating clients given the two banks' strong regional identities. It would also be very expensive in terms of buying out minority shareholders.

Following the listing of San Paolo itself, the cost of incorporation could be sharply reduced by offering shareholders in the subsidiaries a share swap with equity from the parent company, rather than only cash.

Lasmo gives Chris Greentree £2.2m pay-off

By David Lascelles, Resources Editor

MR CHRIS Greentree, who was replaced as chief executive of Lasmo, the lossmaking UK independent oil company, last January, has received a pay-off totalling £2.2m ($3.38m).

Under an agreement announced yesterday, the Canadian-born executive is also to receive £44,000 to cover repatriation and other expenses.

Lasmo said that it is paying Mr Greentree $1,233,500 in compensation for loss of office. He had two years of a three-year contract to run.

He will also receive the benefit of various insurance policies and pension entitlements which are expected to provide him with a pension of $189,000 a year.

The value of the insurance policies, built up over 10 years, is about $2.2m. The existence of the policies had not previously been disclosed, a spokeswoman for the company said yesterday.

Mr Greentree was ousted from Lasmo after the company reported a loss of £385m and cut its dividend due to heavy borrowing costs.

In his last year at the company he was paid a total of £480,647 including a £50,000 performance bonus, an increase of 40 per cent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.54	18.04	18.04
0100	18.46	18.06	18.06
0130	19.00	18.12	18.12
0200	30.30	24.50	27.72
0230	35.00	34.00	37.61
0300	35.00	34.00	37.44
0330	19.50	32.88	36.28
0400	19.00	25.50	28.67
0430	18.54	19.00	19.00
0500	18.54	18.16	18.16
0530	18.54	18.14	18.14
0600	18.54	18.14	18.14
0630	18.62	18.15	18.15
0700	24.09	18.60	18.60
0730	25.30	27.30	30.36
0800	27.04	32.98	36.40
0830	33.07	34.94	38.40
0900	33.11	34.94	38.38
0930	28.71	28.88	30.02
1000	27.08	28.86	30.02
1030	28.71	28.68	31.92
1100	28.74	28.08	31.92
1130	28.76	27.11	30.29
1200	28.75	28.68	31.91
1230	28.71	28.68	31.92
1300	28.68	28.67	31.89
1330	28.76	27.10	30.24
1400	35.15	25.65	28.76
1430	35.15	25.17	28.28
1500	35.15	25.17	28.28
1530	35.15	25.17	28.28
1600	35.01	25.17	28.27
1630	37.12	31.88	35.25
1700	37.12	31.98	35.23
1730	36.02	31.98	35.23
1800	28.77	31.88	35.27
1830	24.94	24.98	28.08
1900	24.94	24.82	27.95
1930	24.94	24.61	27.74
2000	24.25	24.82	27.94
2030	24.25	33.25	36.58
2100	24.94	33.25	36.58
2130	37.10	33.25	36.61
2200	37.10	24.82	27.98
2230	32.52	24.04	27.17
2300	24.25	23.91	27.05
2330	24.09	23.91	27.08
2400	23.85	18.89	18.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.30/MWh becomes 1.830p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be [illegible] pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday

NGC Settlements Limited

INTERNATIONAL COMPANIES AND FINANCE

Ray of light under blanket of gloom

Kevin Done examines investment plans of Iveco, Fiat's truck division

THE stakes that Europe's hard-pressed truck-makers must gamble in order to survive have become daunting. The weaker players are being swept aside by recession.

As the European truck industry slides into a fourth year of retrenchment, Iveco, the commercial vehicle division of Fiat of Italy, is reaching the climax of a L5,000bn ($3.35bn), five-year investment programme aimed at transforming its products and manufacturing operations.

With capital commitments on such a huge scale, the truck industry is not for the faint-hearted. Iveco has been in loss for the past two years, as demand for trucks across Europe has fallen sharply, but it must maintain this level of investment to become one of the industry's elite.

Daf, the Dutch vehicle maker which collapsed into receivership in February, is only the latest and most notable victim of the war of attrition that has cut the number of European truckmakers from 25 in 1975 to 10. The number shows every sign of falling further.

Iveco has managed to establish itself among the "big three" of the European truck industry, along with Mercedes-Benz of Germany and the Franco-Swedish alliance of Renault and Volvo.

But it has had a tougher road to travel than any of its rivals. From a limited base in Italy in the 1970s it has been forced to undertake an ambitious series of acquisitions of some of Europe's weaker players. It has shouldered an important part of the rationalisation and restructuring of Europe's truck industry.

Iveco fell behind its rivals in the 1980s in developing new products. It was distracted by the task of moulding disparate operations and corporate cultures from France, Germany, Spain and the UK into a single, integrated group, as well as creating a pan-European sales and marketing network.

It has mounted a formidable effort in the past five years to close the gap. Each year, from 1988 to 1992, it has spent between 4 and 4.5 per cent of its turnover, or about L350bn a year, on research and development for new products. R&D spending has totalled L1,706bn in the past five years. In the same period, capital expenditure has been running at between 6.3 and 8.8 per cent of turnover, or about L598bn a year, totalling L2,989bn.

The goal has been to transform Iveco from a national company with scattered plants into a single, transnational company, firmly established in six countries, and with production, design and engineering linked by common systems and computer networks.

The launch next month in Turin of two new truck series, EuroStar, for long-distance haulage, and EuroTrakker, for heavy off-road construction work, marks the climax of the product renewal process.

But the series are hitting the market when the industry is "struggling under the grip of the most hostile economic environment for over 20 years", according to DRI Europe, the London-based automotive analyst.

Iveco has suffered two years of losses, while rivals, such as Volvo and Renault, are awash with red ink. Daf has crashed; Renault has given up truck assembly in the UK; AWD, the British independent truck-maker that took over the Bedford truck operations, collapsed into receivership; Mercedes-Benz has abandoned its plan to build a truck plant in eastern Germany.

"Truck manufacturers and dealers in Europe are scrambling to survive the most drawn-out recession in truck sales for more than two decades, which has settled like a blanket of gloom over the entire truck market in western Europe," says Automotive Industry Data, the UK analyst.

When Iveco embarked on its transformation project in the mid-1980s, truck producers were enjoying a four-year period of growth and profits, which peaked with record volumes in 1989. It must now make investments pay in an era when volumes and margins are under the severest pressure, and competition is intense.

Iveco claims it has increased its competitiveness and expanded its global presence through the integration of design, manufacturing, logistics and marketing functions.

It now has centrally co-ordinated R&D, manufacturing and distribution facilities and is present in all the European markets. It has completed the reorganisation of the manufacturing assignments of all its plants in Italy, Spain, France, Germany and the UK.

So-called modular construction, a strategy pioneered by Scania, the Swedish heavy truckmaker, to overcome its relative lack of size, became a guiding principle for Iveco.

In 1987, its engineers working in three countries were given the task of standardising all the essential sub-systems of a truck – cabs, axles, engines, chassis frames and gearboxes – into basic modules. It has invested 8.2m hours of engineering into redesigning these five main sub-systems.

Manufacture of the "modules" is concentrated in specialised centres in Brescia, Bourbon-Lancy, Foggia and Turin. Assembly has been focused in Brescia, Langley in the UK, Madrid and Valladolid in Spain and in Ulm, Germany.

Iveco claims to have cut costs significantly. It has reduced its suppliers from 2,000 to 700 as they switch from individual components to producing sub-systems. According to Mr Giancarlo Boschetti, Iveco chief executive, manufacturing rationalisation has allowed the company to reduce the number of components by 20 per cent.

Standardised modules have made it possible to utilise in truck manufacture the sort of automated techniques associated with volume car production, he says.

The sweeping renewal of products and manufacturing processes has spread to sales and marketing, says Mr Boschetti. Iveco salesmen will now have lap-top computers to give them access to the catalogue of modules that make up the product range.

"The salesman effectively develops the vehicle to fit the customer's needs," he adds.

Mr Boschetti admits that one priority is to invest in training for salesmen to "ensure the benefits reach the customer". He says this is where the battle-lines will be drawn between surviving truckmakers, as they all achieve similar levels of efficiency.

But the revolution in sales and marketing is to be the next phase of Iveco's corporate revolution. For the moment, rocked back like all its rivals by the ferocity of the recession in the European truck market, Iveco is having to take more tactical measures to stem the losses.

After only breaking even in 1990, and with losses of Fl 199m in 1991 and Fl 187m ($103.8m) in 1992 (Iveco is incorporated in the Netherlands), it was forced to cut its workforce by 4,000, or nearly 10 per cent, in 1992. This rationalisation has been led in the UK and in Spain, where its most recent acquisitions, Iveco Ford Truck and Iveco Pegaso, have continued to run up losses.

It is pouncing eagerly on the opportunity offered by the collapse of Daf to try to recruit about one-fifth of the former Anglo-Dutch truck producer's main dealers in the UK.

While markets shrink in Europe, Iveco is pushing to develop its presence in Asia. Exports outside west Europe accounted for 19 per cent of its sales volumes last year, compared with 13 per cent in 1989. It is establishing a significant presence in India and China.

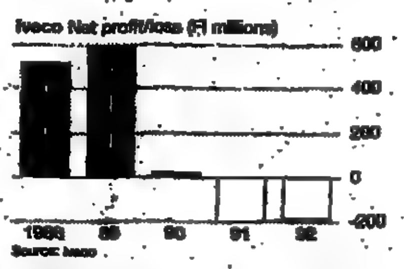
The key to Iveco's future, however, lies in delivering the promise of a corporate transformation in Europe. Mr Boschetti claims Iveco has gone through a "corporate metamorphosis – a butterfly emerging from a chrysalis after being a caterpillar". The question is, how well the butterfly can fly?

The road to recovery

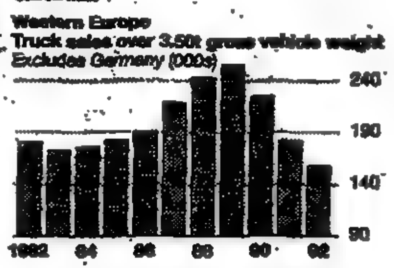
Western Europe
Truck sales over 3.50t gross vehicle weight

	1992	Share %	1991	Share %	Change %
Mercedes	90,200	32.8	103,115	33.6	-12.5
Iveco	49,300	17.9	55,1[illegible]	18.0	-10.6
Man/VW	37,200	13.5	37,664	12.3	-1.2
Renault RVI	23,700	8.6	30,463	9.9	-22.2
Daf	21,500	7.8	22,265	7.3	-3.4
Volvo	21,200	7.7	25,907	8.4	-18.2
Scania	16,100	5.9	18,674	6.1	-13.8
Others	15,600	5.7	14,[illegible]	4.8	[illegible]
Total	275,000	100	307,027	100	-10.4

Source: Automotive Industry Data



Source: Iveco



Chemicals result pushes Dyno to NKr75m

By Karen Fossli in Oslo

DYNO Industrier, the diversified Norwegian group, yesterday reported a NKr11m increase in first-quarter pre-tax profit to NKr75m ($11.2m), helped by a strong performance by the chemical division.

Dyno outperformed forecasts by domestic analysts, who had predicted pre-tax profit of about NKr55m, but its shares closed NKr4 lower at NKr95 on the Oslo bourse.

Group sales rose slightly to NKr1.91bn from NKr1.88bn as operating profit, before financial items, rose by NKr14m to NKr118m.

The chemical division lifted first-quarter operating profit by NKr31m to NKr76m, but sales remained unchanged at NKr544m. The explosives division saw operating profit nearly halved to NKr31m from NKr60m, as sales rose by NKr33m to NKr913m.

"The explosives group held steady in North America and Australia, while European activities show a decline following a slump in the building industry," Dyno explained.

The plastics division saw operating profit fall by NKr10m to NKr20 as sales dipped by NKr4m to NKr448m.

● Hafslund Nycomed, the Norwegian group best-known for its radiology products, yesterday reported a 4 per cent rise in first-quarter pre-tax profit to NKr381m.

The improvement, however, was restrained by lower sales in several European markets and government price restrictions on pharmaceuticals.

The result was weaker than domestic analysts' forecasts of around NKr405m.

On the Oslo bourse yesterday, Hafslund's A shares closed NKr7 lower at NKr143, as B shares plunged by NKr8 to NKr145 and free shares fell by NKr6 to NKr147.50. Group sales, including royalties, rose by NKr126m to NKr1.541bn, as operating expenses increased by NKr175m to NKr873m.

Mr Eric Cameron, a Hafslund executive, said the increase in operating expenses resulted from costs associated with the introduction of new products into new markets and from increased purchases of electricity by the energy division to meet higher demand. The capital outlay would be recovered by subsequent electricity sales, he said.

BCE first-term profits fall by a third to C$221m

By Robert Gibbens in Montreal

DECLINING telecommunications profits, a lower contribution from Northern Telecom and special charges depressed BCE's results in the first quarter.

BCE, Canada's biggest telecommunications group and the holding company controlling Bell Canada, Northern Telecom and many other communications interests, reported net profit of C$221m (US$175.3m), or 65 cents per share, down one-third from C$298m, or 88 cents, a year earlier.

Total revenues were C$5bn, up 3 per cent from C$4.86bn, including C$4.7bn from telecommunications, against C$4.5bn.

Mr Lynton Wilson, chairman, told the annual meeting BCE's performance reflected relatively flat revenues from 100 per cent-owned Bell Canada and C$86m of Bell special restructuring expense.

"Bell Canada's results for the rest of 1993 should improve, although they will be affected by a telephone rate application," he said. Most of Bell Canada's activities are regulated by the federal government.

Bell Canada's contribution equalled 48 cents per BCE share, against 71 cents a year earlier. The utility's local business gained slightly with an improving economy, but rising competition from Unitel and resellers reduced long-distance volume.

Bell Canada is countering with new services and options that generate higher revenues.

International telecom business was up, reflecting higher volume and last year's acquisition of 20 per cent of Mercury Communications.

Northern Telecom's results in the first quarter were hit by slower margins and higher research and market development costs.

It contributed 15 cents per BCE share, against 30 cents. Corporate activities showed a C$2m loss, against a C$7m deficit a year earlier. This included the financial services unit.

The first quarter also included a special gain of 10 cents a BCE share from the sale of TransCanada Pipelines stock.

Mr Wilson said BCE's telecommunications business cannot compete effectively if federal regulation continued to be stifling and unpredictable. "Market forces must play a larger role in setting prices or Bell Canada will have to be reorganised to improve financial returns," he said.

Mercury would benefit from BCE's research, equipment manufacturing and network development and the link with Cable & Wireless will give BCE greater international reach.

BCE planned other alliances and investments and would spend C$2bn on international expansion, he said, while Northern Telecom would focus its expansion on Asia, eastern Europe and Latin America.

IBM personnel chief retires

By Louise Kehoe in San Francisco

MR WALT Burdick, senior vice-president in charge of personnel at IBM, is to retire at the end of May after 38 years with the company.

IBM did not name a successor to Mr Burdick. Industry analysts believe the personnel director will be critical to a successful transformation of IBM because the company must boost employee morale while cutting thousands of jobs.

● Dell Computer, the US PC maker, has promoted Mr Joel Kocher, US president of operations, to oversee worldwide sales, marketing and service operations, in a senior management shake-up.

The company also said Mr Andrew Harris, president of Dell International, had resigned.

Reader's Digest results disappoint

By Jeremy Bennallack-Hart in New York

SHARES in Reader's Digest, the New York-based magazine publisher, fell by 11 per cent yesterday on disappointing revenues and flat operating profits.

In early afternoon trading on Wall Street, the shares were down $5¼ at $41¼, and close to their 52-week low.

Operating profits were up only 2 per cent at $137.6m in the third quarter to March 31, on revenues 3 per cent ahead at $737.6m. Net income was 5 per cent higher at $95.5m.

The company said revenues would have risen 8 per cent without the impact of foreign exchange rate movements. International revenues rose 10 per cent and would have risen about 19 per cent without foreign currency movements.

Revenues from US operations fell 6 per cent to $307.6m due to lower sales in the domestic Books and Home Entertainment Division.

Mr George Grune, chairman and chief executive officer, said: "This quarter's lower results stem from an increasing number of product offerings in a relatively short time frame. Our testing indicates that these offerings could have been better implemented."

Mr Alan Gottesman, an analyst with PaineWebber, said the US Books and Home Entertainment Division had been "pushing too hard, with products competing with each other". But he added that the problem was now "as bad as it is going to get".

Mr Grune said there were continued strong advertising sales for Reader's Digest magazine and the company's special interest magazine group.

Magazine revenues rose 2 per cent to $173.5m for the quarter, reflecting higher subscription prices and increased US advertising revenues.

The company also announced a programme to repurchase up to 3m class A non-voting common shares after a similar programme in February 1992. It has about 97m of the shares outstanding.

Cominco's woes test management mettle

The Canadian metals group has failed to live up to expectations, writes Bernard Simon

THE list of problems facing Cominco, the Canadian metals group, is long enough to test the ability of the most hardened corporate trouble-shooter.

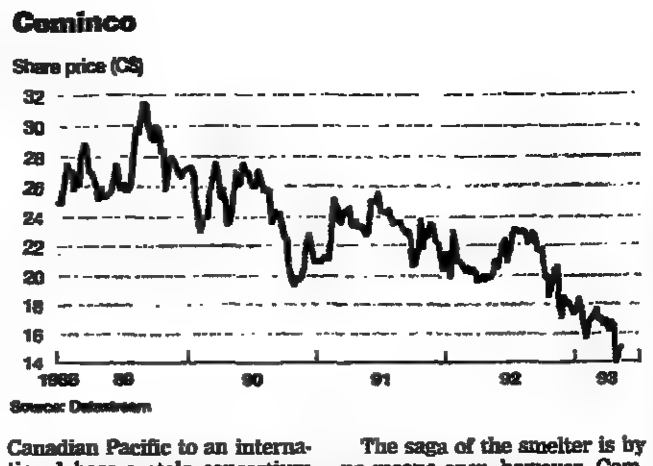
The price of zinc, Cominco's biggest revenue earner, has slumped by a quarter in the past nine months, the company's flagship Red Dog mine in Alaska is producing well below capacity, and a new lead smelter at Trail, British Columbia, has been idle since it was commissioned more than three years ago.

Burdened by hefty water taxes at Trail which keep rising even when profits are falling, Cominco has lost C$106m (US$85.7m) since the start of 1991. More than one-third of the loss occurred in the first three months of this year. The share price is now only about half its 1989 peak of C$32.13.

As if that were not enough, Mr Robert Hallbauer, the forceful chief executive who has spearheaded efforts to ease Cominco's financial and production troubles, is undergoing treatment for leukaemia. He will be away from the office for at least another two months.

Mr Norman Keevil, chairman, made no attempt to hide Cominco's woes at last week's annual meeting in Vancouver. Announcing a suspension in the interim dividend, he said: "We cannot let (recent losses) continue for any length of time".

Cominco was expected to flourish after control shifted five years ago from dowdy Canadian Pacific to an international base metals consortium comprising Metallgesellschaft, the diversified German metals group, Australia's MIM Holdings, and Teck Corporation of Vancouver. MIM and Teck own 45 per cent of Cominco.



Source: Datastream

The new shareholders installed Mr Hallbauer, a Teck veteran, as chief executive, and sent in a German marketing team.

But relations between the company and its new shareholders – and among the shareholders themselves – have at times been strained.

Mr Keevil made an important break with the past at the annual meeting by announcing that, after three years of indecision, Cominco was abandoning the German-designed QSL technology used in the troubled lead smelter. It plans to convert the facility to a smelting process known as Kivcet, developed in Kazakhstan.

The saga of the smelter is by no means over, however. Cominco is claiming compensation for an alleged breach of contract from Lurgi, the German engineering group which designed the smelter. It may also claim for loss of earnings during the three years it has had to rely on an old, inefficient smelter which the QSL facility was meant to replace.

Chances are that Cominco's claim will go to arbitration. Mr Erich Manges, head of Lurgi's commercial department, expresses "surprise and disappointment" at Cominco's decision.

He notes that QSL smelters are working successfully in Germany and Korea. Mr Manges says Lurgi remains willing to adapt Trail to the high lead and zinc residues contained in feedstock for the Canadian plant.

Cominco is confident Trail, one of the world's biggest metallurgical complexes, can prosper. Despite the high-cost lead smelter, operating losses there dropped to C$10m last year from C$53m in 1991.

Trail's big advantage is cheap power, due to two nearby hydro-electric stations which Cominco owns. But as a big water consumer, Cominco is also one of the few private companies in British Columbia subject to the controversial water tax.

A provincial inquiry two years ago recommended a C$14m cut in property and water taxes as part of a package of measures needed to ensure Trail's viability.

The social-democrat government has baulked, however, at reducing the water levy, apparently for fear it will set a precedent for BC Hydro, the provincial power utility.

Cominco is adamant the C$100m conversion of the lead smelter to the Kivcet process will not go ahead until the burden of the water levy is lightened.

Talks between the two sides have quickened recently. The government is understood to have offered other forms of relief, but Cominco is concerned this would still expose it to hikes in the water levy.

Meanwhile, the company is examining ways of using its hydro-electric resources to help finance conversion of the smelter. One possibility could be to involve BC Hydro in expansion of the power plants.

Cominco believes the outlook for the Red Dog mine is brightening. The mine produced only 70 per cent of its design output last year, as a result of unexpectedly complex geology and high lead oxide impurities.

Mr Keevil told the annual meeting Red Dog should reach capacity before the end of this year. That would lower unit costs by almost one-third, and make the mine profitable even at the current zinc price of 46 US cents per pound. Mr Rick Cohen, mining analyst at Goepel Shields in Toronto, thinks the worst is over for Cominco.

Besides coming to grips with the problems at Trail and Red Dog, the company has raised C$158m by spinning off its fertiliser division into a new public company.

The 60 per cent-owned Snip gold mine in northern BC has performed well above expectations since it started production in early 1991. Another new property, the Quebrada Blanca mine in Chile, in which Cominco has a 39 per cent direct stake, is due to produce its first cathode copper early next year – on schedule and on budget.

The best news would be a turnround in the zinc market. Cominco has cut 1993 metal output by 50,000 tonnes in an effort to help bring down swollen worldwide inventories. But Mr Keevil has indicated further cutbacks are unlikely unless other producers show a greater willingness to restrain their output.

Italian insurer hit by investment write-down

By Haig Simonian in Milan

RIUNIONE Adriatica di Sicurta, the stock market listed Italian insurance company controlled by Allianz of Germany, reported a steep drop in net profits to L95bn ($63m) last year from L201bn in 1991.

The reduction came in spite of a 13.9 per cent rise in group premiums to L7,337bn and a 14.5 per cent increase to L3,720bn for parent company premiums.

Mr Umberto Zanni, chairman, explained the earnings slide stemmed from a L214bn write-down on the group's investment portfolio. Like other financial institutions, RAS has had to write down heavily the value of its government bond holdings due to last year's severe price volatility.

However, Mr Zanni stressed the recovery in government securities in the past four months implied RAS would show sharp extraordinary earnings this year.

Mr Zanni also pointed to a marked upturn in the group's underwriting position. Losses on the non-life side fell by L30bn to L147bn. "But for third party motor insurance, we would have shown a underwriting profit in 1992," he said.

The group is looking forward to the planned liberalisation of the motor insurance market in July 1994, which will allow tariff increases and the introduction of more personalised policies geared to clients' claims records.

In the meantime, RAS hopes the government will approve a reasonable increase in tariffs for this year.

The underwriting improvement was reflected in a 22 per cent rise in operating profits to L240bn in 1992.

Combined with the upturn in bond prices, RAS has decided to pay an unchanged dividend of L300 a share for ordinary shares and L360 a share for savings stock.

The payout, which leaves only L7.9bn of net earnings attributable to extraordinary reserves, is 24 per cent higher than that in 1991 due to last November's rights issue.

USAir offering raises $231m

By Nikki Tait in New York

USAir, the US carrier in which British Airways invested $300m for a 19.9 per cent voting interest earlier this year, has raised a net $231m from its sale of new ordinary shares at $20.75 per share. The underwriters exercised their over-allotment options and a total 11.5m new shares were sold.

In addition to the money from the offering USAir will receive another $99.2m from British Airways - bringing the total raised to around $330m.

US investors look abroad for higher returns

By Patrick Harverson in New York

US INVESTORS bought a record $51.5bn in foreign stocks and bonds last year as institutions and individuals continued to look overseas to diversify their portfolios and find higher returns.

In 1991, US investors bought $47bn of foreign securities.

In contrast, foreign investors were net sellers of US equity securities in 1992, selling $5.2bn of stocks over the 12 months.

In the previous year, overseas investors had been net buyers of US stocks.

US investors continued to prefer foreign stocks to bonds, said the Securities Industry Association.

However, acquisitions of fixed-income securities grew faster than acquisitions of stocks, the SIA said.

In total, US investors bought $32.1bn of foreign equities, and $19.4bn of bonds.

As always, European markets were the main beneficiaries of US demand, attracting a record $17bn in direct investment, the bulk of it ($11.3bn) going into UK stocks.

Mr David Strongin, director of international finance at the SIA, said that the UK's withdrawal from the European exchange rate mechanism, and a sharp drop in UK interest rates, made UK equities look especially attractive to US investors.

The busiest part of the year for US buying of foreign stocks was the final quarter, which suggests that US investors saw the turmoil in European currency and equity markets as a buying opportunity.

Asian markets received $8.9bn, of which about half went into Japan.

US investors bought more Japanese stocks last year than in 1991, an indication that they believed the Tokyo market was heading for a recovery.

Interest in other Asian securities was particularly focused on Hong Kong.

US investors poured $2.8bn into the colony in the hope of taking advantage of rapidly-growing Chinese stock markets.

Mixed results at South African Breweries units

By Philip Gawith in Johannesburg

THE three retail and manufacturing subsidiaries in the South African Breweries (SAB) group reported mixed results for the year to March, with useful performances from Edgars and Lion Match counterbalanced by a R45m (US$14.3m) loss at OK Bazaars.

All three companies suffered from weak consumer spending. Tight financial management helped Edgars and Lion Match overcome the difficult trading environment, but OK Bazaars was held in check by radical restructuring.

Apart from the restructuring, which forced OK Bazaars to record a R40m extraordinary loss, over and above the R45m trading loss, the group has appointed a new managing director, Mr Mervyn Serebro.

Management said it was in the process of repositioning the group, but expected further losses this year. A priority will be to improve OK Bazaars' operating margin, which dropped to under 1 per cent last year with operating profit slipping to R49.9m on a turnover of R5.3bn.

Edgars, the clothing, footwear and textiles group lifted attributable earnings by 18 per cent to R186m (R157.5m). Edgars is the main non-beer contributor to SAB's profits. The results testify to aggressive marketing during the second half. First-half sales rose 9 per cent: they were 16 per cent higher for the 53-week reporting period - at R3.2bn.

Margins were maintained, and with interest charges dipping, pre-tax profits increased by 20 per cent to R361m. On a divisional basis, R145m of the R185m attributable profit came from Edgars stores and R52m from Sales House while Jet made a R2m loss. Both Sales House and Jet improved their performance by over 70 per cent compared with 1992.

Mr George Beeton, managing director, predicted satisfactory growth in earnings for the year ahead. The overall dividend for 1992-93 was 140 cents a share, against 119 cents.

Attributable earnings at Lion Match (shaving equipment and packaging as well as matches) increased by 22 per cent to R15.4m. The improvement reflected significantly lower financing costs.

Tenaga Nasional beats market expectations

By Kieran Cooke in Kuala Lumpur

TENAGA Nasional, Malaysia's partially-privatised electricity utility, reported pre-tax profits of M$911m (US$354m) for the six months to February 1993, a 15 per cent increase over the same period last year. Turnover improved to M$2.4bn from M$2.06bn.

The results were slightly above market expectations and reflect expanding power sales in Malaysia's fast-growing economy.

Tenaga shares were heavily oversubscribed when the government sold some 25 per cent of the company a year ago. But it fell out of favour following a series of power failures.

Tenaga said unexpectedly high demand and maintenance work had necessitated load shedding in several areas. The company admits that adequate power supplies might not be available for some months.

Analysts point out that demand for electricity is likely to continue to expand. But any future large scale power failures might lead to the government reorganising the company.

They also say that with more than 25 per cent of Tenaga's long-term loans yen-denominated, the company is likely to be hit by the continued rise in the value of the Japanese currency, which has appreciated 12 per cent against the Malaysian dollar so far this year.

First-term losses down sharply at DnB

By Karen Fossli in Oslo

DEN NORSKE Bank, Norway's biggest commercial bank, yesterday reported a sharp fall in first-quarter net losses to NKr138m ($20.5m) from NKr601m, but warned that the persistent high level of credit losses and non-performing loans made it far too early to declare an end to Norway's six-year banking crisis.

Group net interest income rose by NKr91m to NKr1.23bn as other operating income – from the share portfolio, foreign exchange and other financial dealings – increased by NKr413m to NKr958m.

DnB accumulated NKr245m in unrealised gains in the first quarter which were not included in the accounts. The gains came from an increase in the value of its share and bond portfolios – NKr137m for shares and NKr107m for bonds – resulting from declining interest rates.

"The improvement in performance is thus greater than what appears in the accounts," said Mr Finn Hvistendahl, chief executive. Group operating profit, before losses on loans and guarantees and write-downs on assets, shot up by NKr591m to NKr1.06bn.

Losses on loans and guarantees increased by NKr153m to NKr1.17bn as the non-performing loan portfolio has risen by NKr484m to NKr12.07bn since the end of last year.

Loan losses at the London subsidiary remain high - up from NKr56m to NKr123m for the quarter - and significantly impacted the level of overall group credit losses.

The shipping loan portfolio had specified loan losses of NKr53m, against NKr84m last year, but accounted for more than 50 per cent of unspecified group loan losses of NKr170m. Group operating expenses were cut by NKr88m to NKr1.132bn year-on-year.

"We have achieved a steady reduction of costs each year since 1988," Mr Hvistendahl pointed out. He said 121 full-time jobs had been cut in the first quarter while staff had been reduced by 37 per cent in the last five years to 6,185 at end-March.

Australia changes TV rules again

By Emelia Tagaza in Melbourne

Rupert Murdoch: consortium lost out to little-known groups

THE AUSTRALIAN government has again been forced to amend its policy on subscription television, this time to contain embarrassment over the outcome of last week's bidding round for the initial licences.

On Friday, the government awarded the first licences to operate satellite subscription television to little-known companies UCOM and Hi Vision, which bid A$177m (US$125m) and A$212m respectively.

The companies won the bidding despite intense competition from larger international consortia, notably a combination involving Mr Rupert Murdoch's News Corporation and Mr Kerry Packer's Channel Nine television network.

This consortium, which included Telecom Australia, the government-owned telecommunications carrier, was reported to have offered A$70m. US Continental Cable group is said to have bid A$53m. The government said it received a total of 50 separate bids for the two licences.

The decision to award the rights to the licences on a strictly "highest bidder" basis has stunned the Australian media industry, which had been confident that one licence would be awarded to the Packer-Murdoch consortium.

Under the rapidly-revised bidding rules, if UCOM or Hi Vision fail to put up the cash involved in their bids, the tenders will be awarded to the next highest bidders. This time, however, the winners will have to provide a non-refundable 5 per cent deposit within three days.

Under the original rules, tenders had to be accompanied by A$500. Bid winners are now required to raise the bid amounts 30 days after getting clearances from the Australian Broadcasting Authority and the Trade Practices Commission, the competition regulator.

The process was widely criticised within the media industry yesterday for allowing highly speculative bids from groups that did not have strong financial backing or little or no enough experience in operating television networks.

In a statement on Monday evening, Hi Vision said Philips Australia, GEC and Marconi were likely participants in its licence. UCOM has not issued a statement on its plans.

The government's change of tack is the latest in an 18-month saga of policy lurches on pay-TV that includes battles within the Labor government and opposition parties, lobbying by fearful TV networks and a court battle.

"However, potential deficiencies in the current arrangements have been noted in recent days and it is desirable to provide a systemic solution for the future in the allocation of broadcasting licences generally," Mr Bob Collins, transport and communications minister said.

The government has changed its pay-TV policy several times since the first draft was published in November 1991. It opted for one exclusive licence, then two, excluded the state broadcaster, and then guaranteed it two channels, allowing non-satellite cable at the same time.

Indonesia's Astra tumbles 61%

ASTRA International, Indonesia's leading automotive company, reported a 61 per cent fall in net profits last year to Rp81.49bn ($39.3m), including one-off disposal gains of Rp33bn, writes William Keeling in Jakarta.

The figures, at the lower end of expectations, seal a turbulent year for the company, which saw the founding Soeryadjaya family reduce its majority stake in order to stave off personal bankruptcy.

A reduction in Astra's holding in United Tractors accounted for half the disposals, but the company declined to reveal the identity of other sales.

Vehicle sales for the first three months of this year have fallen by 16 per cent year-on-year, to 20,971.

Banks are renegotiating Astra's estimated $800m foreign debt. Brokers estimate the company also has about Rp600bn in local debt and a $150m convertible bond. Its net debt to equity ratio, not including the convertible bond, rose from 110 per cent in 1991 to 140 per cent last year.

However, Astra has maintained its reputation as Indonesia's foremost blue-chip stock, with a price to earnings ratio twice the local stock market average.

NEWS IN BRIEF

■ **Coles Myer**, Australia's largest retailer, reported a solid increase in third-quarter turnover and appeared to be heading for a strong sales performance for the full year, writes Bruce Jacques in Sydney.

Mr Peter Bartels, chief executive, said adjusted third-quarter sales had risen 5 per cent to A$3.54bn (US$2.5bn), lifting sales for the first nine months by 4.4 per cent to A$11.46bn.

Mr Bartels said sales figures, which had been adjusted for last year's disposal of some of the company's New Zealand interests, reflected a strong performance, against an inflation rate of about 1 per cent.

"We are particularly pleased that the rate of sales increase has been gathering momentum during the year despite the depressed economic conditions," he said.

"The continuing improvement in performance by two of our major businesses, Coles Supermarkets and K mart, gives us confidence for a good full-year result."

■ **Burns, Philip & Company**, the Australian food technology and hardware group, reported higher earnings and sales for the nine months to March, but remained cautious about the full-year result, writes Bruce Jacques.

Nine-month net profits rose 22 per cent to A$74.8m (US$52.8m) on a 17 per cent sales rise to A$1.98bn. This was despite a static third-quarter net profit of A$20.3m.

Mr Andrew Turnbull, managing director, warned that the company traditionally earned higher profits in its first half. He said the full-year result would depend on the level of consumer confidence.

The food and fermentation division was the biggest earnings contributor, lifting profit from A$41.2m to A$63.2m. Hardware division profits rose from A$12.2m to A$13.8m.

■ **Australian National Industries**, the engineering group, reports near static net earnings of A$38.6m for the nine months to March on a 2 per cent sales increase to A$878.3m, writes Bruce Jacques.

Contract ban on Samsung Construction

By John Burton in Seoul

SAMSUNG Construction, South Korea's fourth-largest construction company, has been banned from bidding on domestic construction projects for six months for its role in the nation's worst train accident in March.

Samsung Construction, part of the Samsung group, is being blamed for the accident, in which 78 people died.

The unusually tough penalty is a severe blow to Samsung Construction, which is heavily dependent on domestic orders.

Samsung officials estimate that the construction company could lose between Won700bn and Won1,000bn ($880m to $1.25bn) in orders this year.

The company last year received total orders of Won1.6bn, of which only 12.5 per cent came from overseas.

● Samsung Electronics has acquired Harris Microwave Semiconductor, a US specialist in chemical compound computer chips. The deal is expected to help Samsung expand its cordless telecommunications business.

INTERNATIONAL CAPITAL MARKETS

Kingdom of Spain joins French franc borrowers

By Sara Webb

THE KINGDOM of Spain launched its long-awaited Eurobond yesterday, joining the ranks of recent borrowers in the French franc sector with a FFr6bn, 15-year issue.

INTERNATIONAL BONDS

Spain tapped the international capital markets with a DM4bn 10-year Eurobond issue earlier this year, and was keen to return to the Euromarkets with another big – but longer-dated – issue at a low yield.

It had considered both the Eurofranc and the Eurosterling markets as suitable for the launch of longer-dated bonds, and eventually chose the Eurofranc sector because it does not expect long-dated yields to fall much further over the next few months.

The proceeds of the issue will be used to fund the budget deficit. The issue has a coupon of 7.5 per cent and was priced to yield 44 basis points over the 8½ per cent OAT due 2008.

The deal broke syndicate late in the afternoon and held its 44 basis point yield spread, according to CCF, lead manager and book-runner for the deal. Other syndicates pointed out that the deal was launched too late in the day to get a clear idea of how well it had been received, and market participants are likely to keep a close watch on the offering in trading today.

One syndicate manager noted that Spain may have missed out on the recent bull run in the French franc sector. Several borrowers have tapped this area of the market in the first quarter. "Investor interest in this area is less than it was in the first three months, ahead of the [French] election," said one house involved in the deal.

The bonds are likely to be sold predominantly to European investors. The lead manager priced the deal with recent long-dated Eurofranc issues from EDF and SNCF in mind: these borrowers launched bonds at yield spreads of around 33 and 34 basis points respectively.

Crédit Lyonnais, one of the joint lead managers, said the Kingdom of Sweden's recent French franc deal also provided an indication for pricing the Spanish deal, given that it is a similar credit.

Spain has indicated that it would like to tap the Eurobond market with large issues three or four times a year. Mr Federico Ferrer, deputy director-general of foreign financing at the Spanish treasury, said yesterday: "We may do one more Eurobond issue this year."

The Kingdom of Spain's issue provided the main talking point in the market, although there were a handful of other deals, including two further collared floating-rate notes – a $150m, 10-year deal from CSFB Finance and a $100m 10-year deal from Goldman Sachs Group.

The market also saw the launch of an unusual Pibs (permanent interest bearing shares) issue from First National Building Society.

This is the first building society to raise capital in more than one currency, as the issue consisted of a I£30m tranche and a £20m portion.

● Cementos Mexicanos, the world's fourth-largest cement company, is poised to issue some $500m in debt in international markets, adds Damian Fraser in Mexico City. It will use the proceeds to help repay a $600m bridging loan it took out last year when buying Sanson and Valenciana, the Spanish cement companies.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
CSFB Finance (Neths.)(a)‡	150	(a)	100R	May.2003	0.5R	-	CSFB
Goldman Sachs Group(b)‡	100	(b)	99.25R	May.2003	0.5R	-	Goldman Sachs Intl.
Daewoo Electronics Co.(c)§	70	(c)	100	Dec.2008	2.5	-	Baring Brothers & Co.
Citicorp(d)‡	50	(d)	100R	Aug.2003	0.5R	-	Kidder, Peabody Intl.
FRENCH FRANCS							
Kingdom of Spain	6bn	7.5	97.06R	May.2008	0.375R	+44 (8½%-08)	CCF
STERLING							
Bradford & Bingley BS(e)‡	100	(e)	100R	Nov.1998	0.675R	-	SG Warburg Securities
ITALIAN LIRA							
European Investment Bank(f)‡	200bn	(f)	100.05	Mar.1996	0.15	-	San Paolo, Turin
SWISS FRANCS							
Aérospatiale	100	4.75	101.875	Jun.1998	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor - 0.125%; minimum 5.875%, maximum 10%. b) Coupon pays 6-month Libor flat; minimum 5.375%, maximum 9%. c) Final terms fixed on Thursday; coupon is indicated at 2.25-2.5%, conversion premium at 5-10% and puttable on 18/5/98 to yield 100-125bp over 5-year treasuries. Callable from 18/5/94 at par subject to 140% rule. d) Issue launched last week was increased to $250m. Coupon pays 3-month Libor - 0.125%; minimum 5.5%, maximum 10%. e) Coupon pays 3-month Libor + 0.15%. f) Fungible with L200bn launched in February. Coupon pays 3-month Libor - 0.25%.

'Notionnel' set to give further boost to Globex

By Laurie Morse in Chicago

THE addition of the French government bond contract is expected to provide a further boost to trading on Globex, the after-hours electronic trading system, when it starts next month.

The contract, on the so-called "notionnel" bond, is set to begin on Globex on May 13.

The "notionnel" is the second most widely traded bond future in the world, after the CBOT's US Treasury bond future.

The Globex system is jointly owned by the Chicago Mercantile Exchange, the Chicago Board of Trade and Reuters.

Globex volume, which had been lagging since the launch last June, more than doubled when Matif listed two lesser contracts in March.

During April, Globex volume was 135,681 contracts, with Matif 3-month Pibor contracts and Ecu bonds representing 81, 120 or 60 per cent of the total.

Matif's "notionnel" bond future had been scheduled to begin trading on Globex in March, but a series of intermittent system failures delayed its launch.

The "notionnel" traded a daily average of 16,628 contracts on the French exchange's own post-market trading system last year, and exchange officials expect all that volume to transfer to Globex. That would be much more than the CBOT's US Treasury bond Globex trade, which hovers around 1,000 contracts a session.

Matif also plans to list its CAC-40 stock index future on Globex before the end of May. It will be the first equity index derivative to be listed on the trading system.

Matif's overall volume in April was 5.1m contracts, an increase of 57 per cent over April 1992.

Last month the exchange reported net income, after tax, of FFr143m for 1992, up from FFr91m in 1991.

That raised the exchange's reserves, after dividend payments, to FFr698m.

Rally in UK gilts as prices increase by up to half a point

By Richard Waters in London and Patrick Harverson in New York

UK GOVERNMENT bond prices bounced by as much as half a point yesterday, prompting suggestions that the market had fallen too far in reaction to early signs of economic recovery.

GOVERNMENT BONDS

The gains came as the gilts market reopened after Monday's public holiday.

While bonds with maturities up to 10 years rose by between a quarter and a third of a point, the biggest gains came in the longest-dated issues, implying that the buying was driven by UK institutions rather than foreign investors. This helped to reverse part of the steepening of the UK yield curve apparent in recent weeks.

Ten-year bond yields had risen by around 40 basis points during April, half of that in the last week, pushing up the yield spread over German government bonds to nearly 150 basis points.

Yesterday's move was "largely a technical response" to this price fall, demonstrating that underlying demand for gilts remained firm, said Mr Simon Briscoe, an economist at Greenwell Montagu.

The June long gilts future contract ended the day at around 104$\frac{1}{16}$, up from 103$\frac{21}{32}$, on moderate volume of nearly 30,000 contracts traded.

■ GERMAN government bonds also rose after last week's losses, although traders and economists generally remained pessimistic about the prospects for long-dated bunds in the weeks ahead.

The positive mood in the market yesterday was due in part to the announcement that DM3bn of 10-year federal government bonds with a new coupon of 6.75 per cent had been sold, in line with market expectations. A similar amount is expected to be sold at auction today.

Economic data in the next few days, including unemployment figures by the end of the week, are expected to give further support to the market in the short term.

The Bundesbank is also generally expected to use today's sale of repurchase agreements to shave a further 5 to 10 basis points off the key official money market rate, lending further support to the market.

However, yesterday's moves did not shake the widely-held belief that longer-dated bunds could lose ground in the coming weeks, and that shorter-dated paper offers the best opportunity for gains.

The June bund futures contract on Liffe ended the day close to where it began, at 94.80, having lost ground to 94.56 at one stage.

■ MOST other European bond markets continued to outperform the bund market, repeating last week's experience, as investors were reported to be continuing to look to switch from Germany into higher-yielding markets.

Ten-year French bonds gained a quarter of a point, even though the June "notionnel" futures contract ended the day down at 117.24 from 117.36 on nearly 140,000 contracts.

Italian bonds gained a third and Spanish bonds a half, with Scandinavian markets also benefiting from the repositioning away from the D-Mark.

■ US TREASURY prices were mostly flat yesterday morning as dealers nervously awaited publication of the Treasury's study into the debt mix, which is due out today.

By midday, the benchmark 30-year government bond was down $\frac{1}{16}$ at 103⅝, yielding 6.854 per cent.

At the short end of the market, the two-year note was unchanged at 100¼, to yield 3.727 per cent.

Trading was quiet during the morning as the market waited for news of the Treasury's study into whether, in order to trim the government's interest costs, it should reduce future issues of the long bond and increase issues of shorter-dated paper.

There has been considerable speculation about the findings of the debt-mix study, including suggestions that the Treasury might scrap some issues of the 30-year bonds altogether. Amid the uncertainty, dealers and investors were staying on the sidelines.

The day's economic news, a 1 per cent fall in leading economic indicators, had no real impact on prices.

FT FIXED INTEREST INDICES

	May 4	April 30	April 29	April 28	April 27	Year ago	High *	Low *
Govt.Secs (UK)	95.04	94.70	94.59	95.42	95.77	88.67	98.04	93.28
Fixed Interest	111.00	110.74	110.85	111.77	111.76	103.76	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	April 30	April 29	April 28	April 27	April 26
Gilt Edged Bargains	103.6	111.7	132.8	109.9	106.1
5-Day average	112.6	114.7	118.6	116.4	116.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	112.5102	-1.308	7.71	7.56	7.95
BELGIUM		9.000	03/03	110.3000	+0.500	7.49	7.50	7.46
CANADA *		7.250	06/03	98.3500	+0.150	7.48	7.51	7.66
DENMARK		8.000	05/03	102.6500	+0.650	7.61	7.64	8.00
FRANCE	BTAN	8.000	05/98	105.3604	+0.398	6.70	6.84	6.99
	OAT	8.500	04/03	109.1500	+0.280	7.18	7.18	7.27
GERMANY		7.125	12/02	102.3550	+0.130	6.77	6.86	6.71
ITALY		11.500	03/03	94.6950	+0.330	12.83†	12.99	13.56
JAPAN	No 119	4.800	06/99	102.2524	-0.002	4.34	4.22	4.23
	No 145	5.500	03/02	107.2974	+0.031	4.36	4.30	4.27
NETHERLANDS		7.000	02/03	101.9600	+0.070	6.71	6.89	6.72
SPAIN		10.300	06/02	[illegible]	+0.522	[illegible]	11.86	11.47
UK GILTS		7.250	03/98	100-20	+8/32	7.09	7.01	6.74
		8.000	06/03	99-19	+9/32	8.06	7.88	7.72
		9.000	10/08	105-01	+16/32	8.41	8.27	8.22
US TREASURY *		6.250	02/03	102-08	+6/32	5.94	6.10	6.15
		7.125	02/23	[illegible]	+9/32	6.86	[illegible]	7.05
ECU (French Govt)		8.000	04/03	102.7800	+0.280	7.59	7.58	7.68

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Italy tops performance tables with 2.82% rise

By Sara Webb

EUROPE'S higher-yielding government bond markets, led by Italy, topped the performance tables in April as the Bundesbank cut German interest rates and paved the way for other European central banks to follow suit.

Italy (up 2.82 per cent), Denmark (up 2.24 per cent) and Sweden (up 2.18 per cent) were the top-performing government bond markets in local currency terms last month, according to figures compiled by JP Morgan Securities.

Pressure on the French franc has subsided since the general election. Cuts in German, French and other European interest rates – reflecting concerns about the recessionary environment within Europe – have helped to ease tensions within the European exchange rate mechanism.

The worst-performing market over the month was the UK, which fell 1.36 per cent as news of a rise in GDP confirmed recent indications of a recovery in the UK economy.

In the past 12 months, the top-performing markets have been Australia (up 18.06 per cent), the Netherlands (up 17.58 per cent) and France (up 17.13 per cent) in local currency terms. For dollar-based investors, Italy was still the top-performing market last month with a gain of 9.76 per cent, followed by Sweden (up 8.08 per cent). However, over the past 12 months, Japan has provided the highest returns in US dollar terms, with a gain of 34.38 per cent.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on May 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106⅞	106¼		4.14
ALBERTA PROVINCE 9 3/8 95	600	111	111¼	+⅛	4.66
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	99	100	+¼	7.99
ECSC 7 3/4 94 LFr	1000	100	101		7.72
[illegible]					

[illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	55	12	10
Other Fixed Interest	15	0	0
Commercial, Industrial	276	249	875
Financial & Property	138	61	600
Oil & Gas	21	18	45
Plantations	0	1	7
Mines	46	45	47
Others	48	35	42
Totals	598	421	1,626

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
70	F.P.	-	218	150	David Brown	216	+1	W8.0	2.4	3.6	15.3
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
36	Nil	7/5	16pm	9pm	Mayflower Corp.	15pm	-1
290	Nil	10/6	54pm	42½pm	Meyer Intl.	44pm	-1
2	Nil	3/6	¼pm	½pm	¾Millwall	½pm	
60	Nil	11/6	4pm	3pm	Newmark (Louis)	4pm	+1
32	Nil	24/5	7½pm	7pm	¾Severfield Reeve	7pm	
150	Nil	25/5	24½pm	13½pm	Slough Estates	[illegible]	
5	Nil	[illegible]	1¼pm	¼pm	Sycamore	¼pm	
33	Nil	11/6	4pm	2pm	¾Umeco	2½pm	
b285	Nil	3/6	40pm	35pm	Unitech	40pm	

b Figures based on prospectus estimates. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ◊ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¾ Unlisted securities market. ◊ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Apr. 26
● Last Dealings May 7
● Last Declarations Jul. 29
● For settlement Aug. 9

3-month call rate indications are shown in Saturday editions.

Calls in Emess, Expamet, Ferranti, Greycoat, Investment Co., Lonrho, Marshalls, Ratners Ord. & Pref shares, Rothmans and Tullow Oil. Put in Tiphook. Double in Rothmans.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Feb	Puts Jul	Puts Oct	Puts Feb
Grand Met. (*414)	390	39	47	54	10	17	24
	420	21	[illegible]	38	23	30	40
Ladbroke (*161)	160	16	[illegible]	[illegible]	11	17	[illegible]
	180	8	14	18	24	30	34
Utd. Biscuits (*420)	[illegible]	27	42	47	23	34	38
	[illegible]	15	24	31	51	58	60

Option		Calls			Puts		
Barclays (*429)	420	24	37	47	12	24	29
	460	7	18	30	37	46	52
Blue Circle (*253)	240	22	32	38	7	14	18
	260	11	21	28	[illegible]	26	29
British Gas (*305)	300	9	17	22	11	16	24
	330	2	7	10	36	37	43
Dixons (*213)	200	23	28	35	7	13	19
	220	11	19	25	16	25	31
Eurotunnel (*417)	390	47½	66	80	13	26	34½
	420	27	48	65	30	39½	51

[illegible]

May 4 Total Contracts 17,009
Calls 9,439 Puts 7,570
FT-SE Index Calls 2,109 Puts 3,163
Euro FT-SE Calls 231 Puts 68
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue May 4	Day's change %	Fri Apr 30	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	127.14	+0.18	127.16	1.67	4.09
2	5-15 years (24)	145.72	+0.28	145.31	1.61	5.22
3	Over 15 years (8)	166.88	+0.63	155.91	2.47	3.10
4	Irredeemables (6)	174.88	+0.48	174.02	0.13	6.12
5	All stocks (61)	142.51	+0.31	142.17	1.77	4.52
	Index-Linked					
6	Up to 5 years (3)	[illegible]		182.95	0.35	[illegible]
7	Over 5 years (11)	171.36	-0.27	171.81	0.81	1.72
8	All stocks (14)	171.79	-0.23	172.18	0.74	1.75
9	Debs & Loans (65)	126.82	+0.50	126.19	2.23	3.81

	AVERAGE GROSS REDEMPTION YIELDS		Tue May 4	Fri Apr 30	Year ago (approx.)
	British Government				
1	Low	5 years	7.10	7.17	8.37
2	Coupons	15 years	8.02	8.08	[illegible]
3	(0%-7¾%)	20 years	8.24	8.30	9.06
4	Medium	5 years	7.40	7.46	9.30
5	Coupons	15 years	8.44	8.49	9.13
6	(8%-10¾%)	20 years	8.54	8.60	9.10
7	High	5 years	7.61	7.67	9.51
8	Coupons	15 years	8.71	8.76	9.25
9	(11%-)	20 years	8.76	8.80	9.19
10	Irredeemables (Flat Yield)		8.60	8.64	[illegible]
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.70	2.69	3.97
12	Inflation rate 5%	Over 5 yrs.	3.59	3.57	4.46
13	Inflation rate 10%	Up to 5 yrs.	1.88	1.86	3.29
14	Inflation rate 10%	Over 5 yrs.	3.41	3.39	[illegible]
15	Debs &	5 years	9.02	9.09	10.67
16	Loans	15 years	9.53	9.57	10.50
17		25 years	9.68	9.74	10.38

Mosaic shares poised to return

By Paul Cheeseright, Midlands Correspondent

TRADING IN the shares of Mosaic Investments, the Birmingham-based mini-conglomerate which has been reorganising its business and finance for the last nine months, is expected to resume on May 28.

The relisting, however, is dependent on shareholders' agreement at meetings the day before to approve an elaborate finance package.

The shares were suspended on September 29 last year at 60p, valuing the group at £10m.

Mosaic had failed to raise finance for the redemption of preference shares and had to pass a dividend it had already announced.

The new-look group will have, if shareholders agree, a new equity structure, new bank facilities and a changed board.

The package embracing these elements includes:

- Revised arrangements to redeem 2.99m preference shares held by Mr Rodney Day; he will be paid £1 a share for 515,625 shares now, the same amount for 1.5m shares in tranches spread over 10 years and will convert the balance of his holding into ordinary shares.
- Arrangements to issue new ordinary shares at 20p apiece to the owners of companies bought between 1988 and 1990, in order to settle the initial purchase terms which involved not only immediate cash payments but deferred payment in shares.

The effect of these arrangements is to lift the number of issued shares from 17.08m to 34.38m.

Mr Day will end up with 14.5 per cent of the equity, while the previous owners of companies bought by Mosaic - T Turner, Stainless Steel Services and IBH Advertising and Design - will respectively hold 17.2 per cent, 18.3 per cent and 5.5 per cent.

Meanwhile, Mosaic has enlisted the support of Lloyds as its new banker.

Lloyds, if the new shareholding arrangements are approved and the shares are relisted, will provide Mosaic with an overdraft of £3m and a 5-year loan of £1.75m.

Although the core businesses have been trading profitably, Mr Hugh Sykes, chairman, said yesterday that "the re-organisation we've done produces enormous extraordinary and exceptional charges and when you deduct them you get a hefty loss."

Both knights fall during the extended battle for Trafalgar

Roland Rudd details the boardroom manoeuverings with a Far Eastern twist which culminated in yesterday's changes

THE PURGE of the board of Trafalgar House was completed yesterday, at the behest of Mr Simon Keswick, chairman of Hongkong Land. But the decision to clear out the top posts was taken well before Hongkong Land emerged with a 25 per cent stake in the construction, engineering and property group.

In the spring of last year Sir Nigel Broackes, the former chairman and founder, set in motion a chain of events that culminated in the blood-letting.

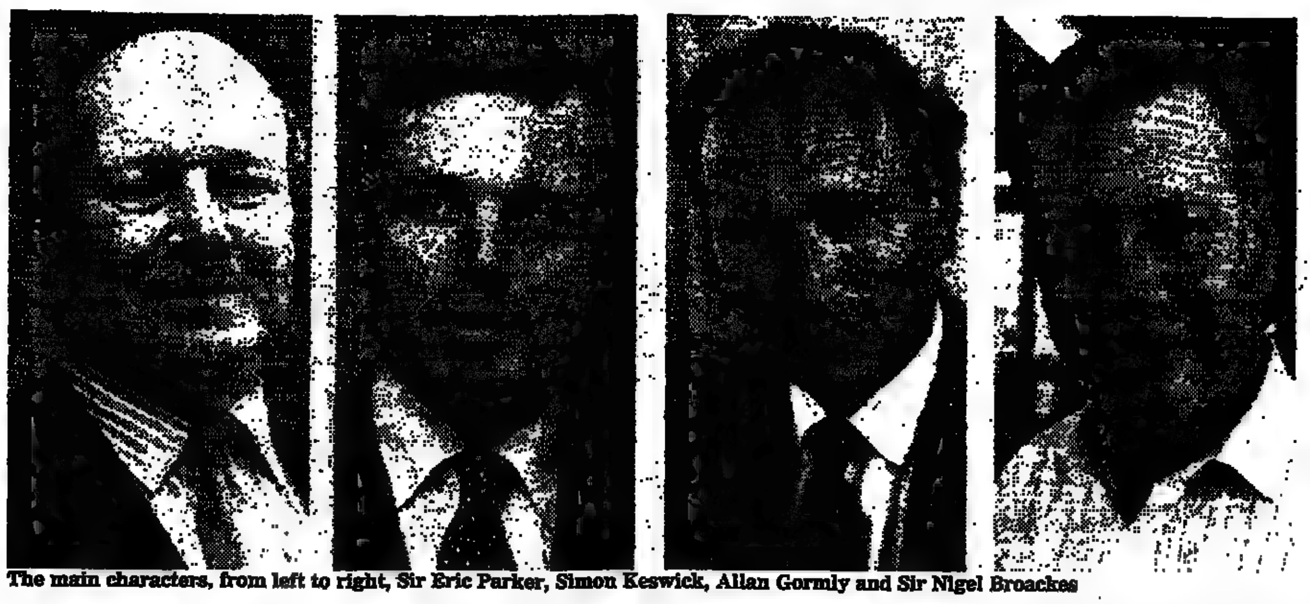
At a meeting of his non-executives Sir Nigel presented a plan in favour of what he called an orderly succession. Both he and Sir Eric Parker, chief executive since 1983, would step down on their 60th birthdays. Sir Nigel, however, would remain with the group in a consultancy basis as honorary president.

Since Sir Eric was a year older than Sir Nigel and had in effect run the group for four years, the non-executives saw the plan as an "ingenious scheme to get rid of Parker".

The then three non-executives, Mr Alan Clements, former finance director of Imperial Chemical Industries, Mr Tony Ryan, chairman and founder of GPA, the aircraft leasing company and Mr David Howell, the Conservative MP, refused to back Sir Nigel.

They decided Sir Eric should remain until he was 62, when they thought he would want to retire at his own volition.

However, Sir Nigel's complaints about Sir Eric's performance did strike a cord with some of the non-executives. He reminded them that the board had agreed to change its strategy in January 1991. There was unanimity among the directors that with the fall in property prices Trafalgar should be repositioned as a construction and engineering group. It no longer wanted the conglomerate tag.



The main characters, from left to right, Sir Eric Parker, Simon Keswick, Allan Gormly and Sir Nigel Broackes

Yet the only significant sale, of its Ellerman container shipping interests to the Peninsular and Oriental Steam Navigation Company for £42.5m, was dwarfed by the acquisition of the ill-fated Davy Corporation, hit by a £114m loss on an oil rig conversion.

After listening to Sir Nigel the non-executives agreed to review possible management changes later in the year.

There then followed a series of leaked reports that Trafalgar had decided to sell its hotels, including the Ritz, and the Cunard Shipping Line.

Sir Eric denied the reports when the group reported its half year results in May, infuriating Sir Nigel. The following week he organised a seminar in the City aimed at convincing the market that Trafalgar was no longer a conglomerate, but a world class construction and engineering group.

The seminar was regarded as a flop.

With shareholder discontent mounting Sir Nigel went back to his non-executives in September to force Sir Eric's departure. The chief executive's position was further undermined when the Financial Reporting Review Panel told Trafalgar that the property write-downs at the end of 1991 should have been taken through the profit and loss account and not through reserves.

Although in September the board had not yet agreed to accept the panel's finding, the questioning of its accounting methods proved too much for the three non-executives who reversed their earlier decision.

They agreed Sir Eric would have to go early to be replaced by Mr Allan Gormly, the current chief executive, who was then head of the successful engineering division.

However, Sir Eric, who had a good relationship with many of his executive directors, made it clear to some of his colleagues that he was only prepared to go early if Sir Nigel went with him.

He received an unexpected boost when a report in The Observer on September 20 said he was being forced to depart after losing the confidence of his board. A number of directors believed Sir Nigel deliberately leaked the information and rallied round Sir Eric.

Although Sir Nigel told friends he had nothing to do with article, it galvanised the executives into taking action.

At the full board meeting later in September they decided to take full responsibility for the management changes. Sir Eric and Sir Nigel were asked to leave the meeting. The rest decided that both the chief executive and chairman would retire the following year.

Less than a week later, on October 1, Hongkong Land took a 14.99 per cent stake and demanded boardroom representation. Trafalgar reacted by bringing forward its management changes. Mr Alan Clements became non-executive chairman as a temporary measure.

Meanwhile, Hongkong Land, which tightened its grip by gradually taking its stake up to 25 per cent, had two of its directors, Mr Rodney Leach and Sir Charles Powell, appointed as non-executives.

Hongkong Land toyed with the idea of having Sir Charles take over as chairman but decided instead on Mr Keswick, who with his brother Henry in effect runs the Jardine Matheson empire.

A question mark remained over Mr John Ansdell, the former finance director. As one executive put it: "His crime was not standing up to Parker over the accounting fiasco." However one of the group's advisers said Mr Ansdell just happened to be at the wrong place at the wrong time.

If the row over the accounts was a good enough reason for the non-executives to seek an early replacement for Sir Eric, then, according to a financier close to Hongkong Land, it was good enough for the Keswicks to seek a new finance director. After all, argued the financier, they were only finishing off what Sir Nigel had started.

Hongkong Land to provide new chiefs

Trafalgar House's biggest shareholder, Hongkong Land, the Jardine Matheson-controlled property group with a 25.1 per cent stake, is to provide both its chairman and new finance director, writes Roland Rudd.

Mr David Gawler, finance director of Hongkong Land, is expected to replace Mr John Ansdell, the current finance director, and Mr Simon Keswick, chairman of Hongkong Land, is to join the board immediately and take over as chairman at the end of May.

The boardroom changes, ratified by Trafalgar's directors last night, also include the early retirement of Mr Dermot McDermott, while Mr Alan Clements, the current chairman, is to become joint deputy chairman with Sir Eric Parker who leaves the board next month.

The group's auditors, Touche Ross, are to be replaced by KPMG Peat Marwick.

NEWS DIGEST

Saatchi in $14.8m disposal

SAATCHI & Saatchi is raising about $14.8m (£9.6m) from the sale of the Howard Marlboro Group, which comprises three companies engaged in various forms of in-store marketing.

The companies are being sold to MarkitStar, a US group whose shares are traded on Nasdaq.

The companies – Marlboro Marketing, Creative Displays and HMG Europe – are all indirectly wholly owned subsidiaries of Saatchi and operate in New York, Chicago and the Netherlands respectively.

Their preliminary results for 1992 indicate turnover of $37.1m, pre-tax losses of $500,000 and net tangible assets of $5m at the year end.

Riva £134,000 in the black

Riva Group, the USM-quoted supplier of electronic point of sale systems, returned pre-tax profits of £134,000 for the year to end-December compared with losses last time of £3.21m.

Helped by exchange rate variations, turnover improved to £59.4m (£57.3m). Without the fluctuations turnover would have been £54.6m. Interest costs were reduced from £1.95m to £879,000 following the refinancing package.

Exceptional provisions amounted to £115,000 (£1.15m). Earnings per share emerged at 0.2p (losses 12.3p).

The company said that a further 13 per cent reduction in staffing levels in 1992 had resulted in cost savings in excess of £3.5m a year.

BMSS falls into the red

BMSS, the USM-quoted timber and builders' merchant, reported a loss of £95,498 in the year to January 31, against profits of £515,309.

Turnover was down 12 per cent to £15.2m (£17.3m). Gross margins were maintained at 31.94 per cent (31.23 per cent). There was a trading profit of £210,862 (£795,673) but this was wiped out by net interest charges of £306,360 (£280,364).

A final dividend of 3p is proposed for the year; the interim was passed. Last time shareholders received a total of 4.7p including a final of 2.7p. Losses per share were 0.7p (5.1p earnings).

Modest profit at Micklegate

Micklegate Group, the USM-quoted industrial and commercial property developer, returned to the black in the six months to October 31.

The pre-tax figure of £87,000 compared with losses of £899,000 at the previous interim stage and £4.75m for the last full year.

The outcome, achieved on turnover of £2.88m (£3.1m) was struck after exceptional charges of £151,000. After a nil tax charge, earnings per share emerged at 0.45p (losses of 1.92p).

The group remains under a substantial debt burden and its future relies on the support of its bankers. Talks concerning a further restructuring of the debt are in progress.

JW Spear makes Australian buy

JW Spear, which makes Scrabble and other games, is acquiring the games division of Murfett Regency (Australia) for A$1.38m (£620,000) cash on completion.

Included in the deal are the total rights to Scrabble in Australia, which consolidates Spear's ownership of the rights to Scrabble throughout the world outside North America.

Sales of the Australian business were A$5.78m for the year to June 30 1992; it is currently operating at about break-even.

The new company will trade as JW Spear & Sons from July 1.

AAH acquires 13 retail pharmacies

AAH Holdings has acquired 13 retail pharmacies in north-east England from Park Chemists for an initial £3.88m cash.

A further cash sum will be payable when the value of stock is confirmed.

AAH said it already had a strong retail pharmacy presence in Durham and Northumberland would will enable the Park outlets to be integrated smoothly.

Turnover of the 13 pharmacies for the 12 months to February 28 1992 was £7.1m, partly serviced by AAH wholesale and partly by a local competitor.

Somerset Trust shares suspended

Shares in Somerset Trust, formerly known as the Children's Medical Charity Investment Trust, were suspended yesterday morning at 178p at the request of the company, which later announced that it was in talks which might lead to a substantial acquisition.

The potential acquisition is a manufacturing company with turnover of about £20m. If the acquisition proceeds it will constitute a reverse takeover of Somerset.

The consideration of some £19m will be funded by a placing and rights issue. The company expects to make a further announcement in the next three to four weeks.

The trust currently holds the bulk of its funds in short-dated gilts. Last September, it reported a rise in net asset value to 86.2p per share as at June 30, against 82.6p six months earlier.

Storehouse and LET unwind property deal

By Maggie Urry

STOREHOUSE, the high street retail store group, and London and Edinburgh Trust, the property company, are unwinding the joint venture they set up in March 1989.

Storehouse also said yesterday that the search for a new chief executive continued but was unlikely to be completed soon. Mr David Dworkin left in February to join Carter Hawley Hale Stores in the US.

The disentanglement of the venture, called Oppidan Estates, will involve Storehouse paying a net £37.5m to buy back 26 properties, mainly BhS stores. LET will buy Storehouse's half share and other retail assets including three Owen Owen department stores and some prime shop properties.

Both sides said the deal made sense in 1989 but it was now better to untie the partnership. Storehouse said the effect would be neutral to current year earnings but should be positive in future years.

Storehouse originally received £86m when the venture was set up near the peak of the retail property market. But it said changes in the portfolio since meant that the £37.5m cost of buying back the properties was not comparable.

Storehouse has bought back the 28 shops for £67.7m and LET is paying £26.5m for Storehouse's half share in Oppidan plus £2.1m for three other properties. The net figure of £37.5m, is after tax. LET is keeping 15 properties with a value of £85.7m.

A number of the BhS shops in the Oppidan portfolio were due to come up for rent reviews, so Storehouse is avoiding that future liability. It reckons it will save £6.5m a year in rental costs, but lose its share of Oppidan profits which were £2.7m in 1991-92.

In 1989 Storehouse's profits were falling and its balance sheet was stretched. It was also being stalked by Mr Asher Edelman who had built up a 7.1 per cent stake in the group. The then chief executive Mr Michael Julien, who had joined in 1988, was looking for ways to cut debt and the Oppidan venture allowed Storehouse to move some properties off balance sheet.

Nicholas Ward quits managing director role at Brent Walker

By Maggie Urry

MR NICHOLAS Ward has resigned as group managing director of Brent Walker, the pubs and betting shops group which last year completed a £1.65bn refinancing.

Mr Ward's departure follows that of Mr Ken Scobie, chief executive, who left in January amid suggestions that the group's banks, headed by Standard Chartered, had pushed him out. Mr Ward is expected to receive compensation, although no amount was announced.

Brent Walker has yet to produce accounts for 1992.

Mr Ward's resignation leaves only one of the four-man executive team which was put into Brent Walker in the early months of the 18 month-long refinancing, when Mr George Walker, who had been chairman and chief executive, was ousted. Mr John Leach remains as finance director.

At the time of Mr Scobie's resignation Brent Walker announced the appointment of Sir Keith Bright as chairman, following a long search after Lord Kindersley left after last year's annual meeting.

Brent Walker published a brief statement yesterday saying that Mr Ward had "played a significant part in negotiating the restructuring of the company's financial affairs and in organising its programme of disposals". It thanked him for his "considerable contribution".

However, few disposals have taken place and the banks, which are also majority shareholders, are thought to be concerned that more have not been completed.

Brent Walker's statement yesterday echoed that made in January when Mr Scobie left, and like that was published after the stock market closed. Brent Walker's shares were up ½p at 10½p.

Unilever expansion in China

By Guy de Jonquières, Consumer Industries Editor

UNILEVER, the Anglo-Dutch consumer products company, plans to expand its presence in China by building a fabric detergents plant and an ice cream factory with local partners.

The total initial cost is $60m (£40m), which is likely to double in the near future.

The detergents plant is being built by Unilever Shanghai, in which Unilever has 70 per cent and Shanghai Daily Chemical and Shanghai Detergents each hold 15 per cent. Unilever began selling imported Omo concentrated detergent in Shanghai in February and said the potential market for washing powder was huge.

The ice cream factory will be built in Beijing by Wall's Beijing, 85 per cent owned by Unilever the state-owned Sumstar holding the balance. The factory will make products under the Wall's name.

Unilever already has three joint ventures in the Shanghai region making soap and shampoo, bakery fats and skin care products.

● Mr Michael Perry, Unilever chairman, told the annual meeting yesterday that failure to settle the Uruguay Round of trade talks would damage recovery prospects in the industrialised world and retard progress in developing countries.

He also said that if the European Community did not ratify the Maastricht Treaty, it would be a big setback for business. After ratification, however, a "more realistic" timetable should be drawn up for economic and monetary integration.

Berisford recruits takeover specialist

By Maggie Urry

MR DENIS MULHALL is leaving Tomkins, the conglomerate, to join Berisford International, the property and agriculture group, as finance director. He is expected to take up the appointment in the summer.

Mr Mulhall's most recent job within Tomkins was at Ranks Hovis McDougall, the milling, baking and grocery products company which Tomkins acquired at the end of last year.

Mr Mulhall's role at Tomkins was as one of the team which integrated the guns-to-lawnmowers group's acquisitions. He had been working in the US integrating Philips Industries, bought in 1990 for $550m, before returning to the UK five months ago to work at RHM. His experience is likely to be of benefit at Berisford which is expected to be an acquisitive company. It is currently proposing a £184m bid for C&J Clark, the private shoe company.

Mr Mulhall said that he was leaving Tomkins with "great sadness" but would have a broader role at Berisford. He was not a main board director at Tomkins. He said the performance of RHM was "in no way a reason for leaving". The move to Berisford was "a wonderful opportunity", he said. He had not known Mr Alan Bowkett, Berisford's chief executive, before and was originally approached by headhunters acting for Berisford.

Berisford's proposals will be put to Clark's shareholders at a special meeting on Friday, May 7. Berisford is expected today to make a final appeal to Clark's shareholders to vote in favour of the deal.

Mr Mulhall said the move to buy Clark was very exciting. "Clark has a tremendous brand name which has been under-utilised."

Ingham recovers to £452,000

Ingham, the worsted spinner and retailer of new parts for British classic sports cars, returned pre-tax profits of £452,000 for the 12 months to end-December.

The year-end has been changed to March 31 and the outcome compared with losses of £152,000 for the corresponding 12 months.

Last month, when Ingham gave details of the proposed acquisition of Moss Europe and an accompanying rights issue, shareholders were told that the figures in the second interim statement would be meaningless for purposes of comparison.

They included the results of Transtar for three months only; the period coincided with Transtar's traditionally quietest trading period.

Ingham's earnings emerged at 5.1p (losses 4.7p). Payment of a 1.25p final dividend has been brought forward for a total of 7.25p (3p for the 12 months to December 31 1991).

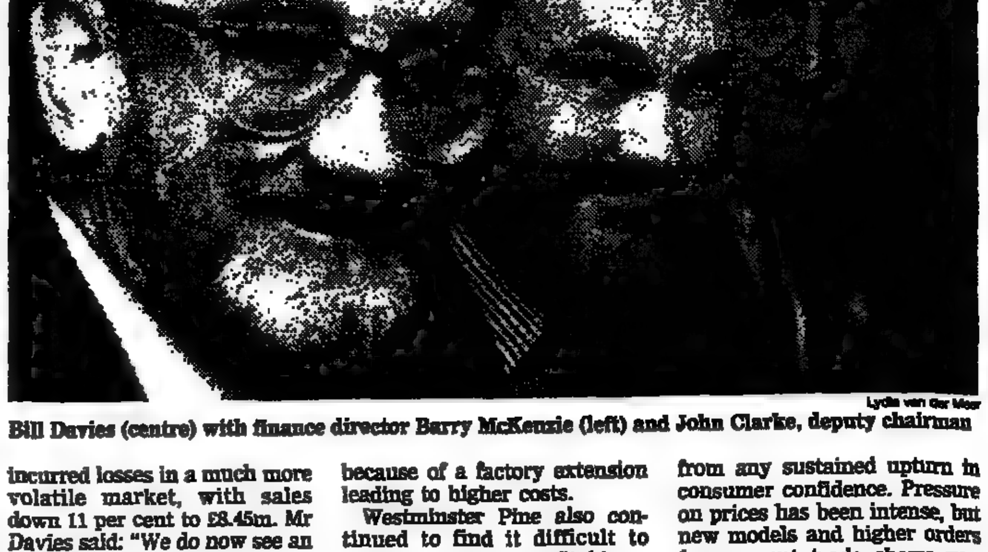
Silentnight's £12m pleases City

By Andrew Bolger

CONTINUING pressure on margins because of recession reduced profits at Silentnight Holdings, Europe's biggest manufacturer of beds, by 3 per cent to £12m pre-tax for the year to end-January.

Sales increased 12 per cent to £153.9m (£137.6m). The Lancashire-based group said, however, that margins had improved in the second half and that it had increased market share in the UK.

Mr Bill Davies, executive chairman, said: "I believe the coming year will continue to be difficult as margins in the UK, our main market, remain under pressure. However, there are encouraging signs within the UK and the US of an upturn which is long overdue."



Lydia van der Meer

Bill Davies (centre) with finance director Barry McKenzie (left) and John Clarke, deputy chairman

The UK beds businesses increased sales 5 per cent to £99m, but found margins extremely difficult to maintain. Mr Davies said: "Bed volumes have been less affected by the recession than many other consumer products. However, the pressure on disposable income has meant that price is an increasingly important factor in the achievement of sales.

"Nonetheless we believe our bed companies increased their market share, and have been successful in improving margins during the second half despite the impact of devaluation on raw material costs. This continues to be a soundly profitable area of our business."

The US beds operation incurred losses in a much more volatile market, with sales down 11 per cent to £8.45m. Mr Davies said: "We do now see an upturn in its fortunes as we concentrate on higher-margin sales and we anticipate internal improvement aided by the economic recovery which is now starting."

The UK cabinets businesses encountered mixed fortunes in spite of a 16 per cent increase in sales to £37m. The group said Homeworthy, its largest cabinet business, increased profits by more than 20 per cent. However, the result from Silentnight Cabinets was significantly below expectations, with disrupted production because of a factory extension leading to higher costs.

Westminster Pine also continued to find it difficult to increase turnover profitably.

Houben, a German bed and mattress manufacturer bought last May, made an eight-month profit contribution of £879,000.

Earnings fell 4 per cent to 17.14p (17.84p). An unchanged final dividend of 5.75p maintains the total at 8p.

● COMMENT

Silentnight's shares rose 7p to 302p as these results were ahead of expectations. The group struck a cautious note on its trading outlook, but seems well poised to benefit from any sustained upturn in consumer confidence. Pressure on prices has been intense, but new models and higher orders from recent trade shows suggest some scope for rebuilding margins. The group gives no divisional split of profits, but the problems in cabinets seems limited to the US and one-off factory extension at Silentnight Cabinets. Analysts believe earnings could advance 20 per cent in the current year, putting the shares on a prospective multiple of under 15, a slight discount to the market. Despite having risen by nearly 60 per cent since September, the shares could have further bounce left in them.

Auditors qualify annual report of ECH subsidiary

By Paul Taylor

ENTERPRISE Computer Holdings' principal subsidiary, Enterprise Computer Services, has had its annual report qualified on a going concern basis by KPMG Peat Marwick, its auditors.

The accounts cover the 15 months to March 31 1992 when the group posted pre-tax losses of £8.33m on turnover of £157.9m.

However, the supplier of second user IBM computers said the boards of both the parent company and the subsidiary were satisfied that the group's bank facilities would continue to be available for a period "which will allow the auditors to report on the accounts to March 31 1993 without a going concern qualification."

In a statement yesterday the group said its confidence stemmed from the improved trading performance during the last quarter, and the pending merger of Teltronics and SRH, a company in which Enterprise has a 25 per cent equity stake, which is expected to be completed before June 30.

The merger is expected to result in the group receiving £5.3m in cash, property and securities over the next 12 months.

Since June last year Enterprise has undergone a substantial reorganisation and restructuring under a new management team led by Mr Shaun Dowling, non-executive chairman.

Observer board backs sale to Guardian

By Raymond Snoddy

THE BOARD of The Observer, which includes independent directors, yesterday gave its unanimous backing to a sale of the Sunday title to The Guardian and Manchester Evening News.

After the meeting the board issued a statement saying it had unanimously backed the continuation of negotiations with The Guardian.

Neither Observer directors nor Guardian management would comment further last night.

The deal agreed in principle, however, is believed to value The Observer at about £27m – a sum that would be paid to Lonrho, owner of The Observer, over two years.

Any transfer of ownership of The Observer to GMEN would require the permission of Mr Michael Heseltine, trade and industry secretary, under the provisions of the Fair Trading Act relating to newspaper mergers.

A reference to the Mergers and Monopolies Commission is automatic unless Mr Heseltine is satisfied the paper was not economic as a going concern and that the case is urgent.

The Observer is a loss-making paper but Mr Heseltine has made it clear to parliament that he could not reach a view until he can study the terms of any application.

Thomas Cook bolsters its Canadian operation

By Michael Skapinker, Leisure Industries Correspondent

THOMAS COOK, the UK-based travel agency chain which is controlled by Westdeutsche Landesbank, has acquired Marlin Travel, Canada's largest travel chain, for C$22m (£11.3m).

Thomas Cook said the deal made it the biggest retailer in the Canadian business and leisure travel market with an 11 per cent share and 350 outlets. It is to pay an additional C$3m deferred consideration, subject to Marlin's performance over the next two years.

Marlin, which is privately-owned, has 840 employees and 251 outlets in Canadian shopping malls. Mr Rod Marlin and Mr Gary Elliott, its two founders, own 52 per cent of its equity. Mr Elliott will become chief operating officer of Thomas Cook Canada. Thomas Cook said Mr Marlin will advise the enlarged group on its strategy.

Thomas Cook said the North American Free Trade Agreement and the integration of the North American travel business had made the strengthening of its Canadian operation a priority.

The company has been prevented from operating directly in the US because federal regulations prevent banks from owning travel companies. Until last year, Thomas Cook was owned by Midland Bank. It operates in the US through Thomas Cook Travel US, a franchised organisation.

Goodhead warns of setback

GOODHEAD Group, the printer and publisher, yesterday warned of a further profit fall for the current year to end-May 1993.

The shares closed 1p lower at 25p.

In January the company reported a 58 per cent drop in first-half pre-tax profits to £181,000, after exceptional charges of £133,000.

For the whole of 1991-92 the profit was £721,000, compared with £4.02m in the previous 12 months.

In a trading statement issued yesterday the directors said that trading conditions deteriorated in the third seasonally difficult quarter in both the design and print divisions, due principally to uncertainty in the economy, and high interest rates which led to cancellation of orders.

The company said that as such the group was likely to report a reduction on the profit achieved for the first half of the current year.

However, profitability has been restored to all areas of its activities, directors said.

Hillsdown's ex-chief cuts stake

By Maggie Urry

SIR HARRY Solomon, who last week stepped down as chairman of Hillsdown Holdings, has sold 1m shares in the food group, cutting his stake to 4.38m shares. He sold at 161p a share,cum-dividend.

Sir Harry, who remains a non-executive director, is understood to have wanted to raise cash to invest in new activities and for charitable reasons. He also has options to buy 658,000 Hillsdown shares.

Meanwhile, Mr Ray Mackie, who became finance director of the group last week, has bought 25,000 shares at 155p ex-dividend each. Hillsdown shares rose 7p to 164p.

● Hillsdown also said yesterday that it had sold its Harvest Poultry operations, based in Norfolk and Suffolk, to its management for £6m. The MBO, led by Mr David Thacker, was backed by 3i, the investment capital group.

Since Hillsdown bought the JP Wood poultry operations from Unigate last spring it has been reorganising capacity.

Allders International invests in Turkey

By Maggie Urry

ALLDERS International, the duty-free retail subsidiary of Allders, has bought a half share in the duty free operations of Net Group, the Turkish hotel and leisure company.

The deal, for an undisclosed sum, is thought to be worth in the low millions of pounds.

Net has 18 duty-free shops in 10 locations including Turkey's main tourist airports. Allders International is the second largest duty-free retailer in the world. Allders, which also operates UK department stores, is considering a stock market flotation.

Calculators come out after Man United League win

By Jane Fuller

WHILE FANS of Manchester United Football Club reached for their handkerchiefs to wipe away tears of joy at winning the Premier League championship, City commentators were reaching for their calculators.

The title secures a place in the European Champions Cup and that means extra profits for Manchester United plc in 1993-94. Yesterday the shares closed at a new high of 463p, about 180p up on the start of the football season last August.

Not that it is easy to settle on a new profits forecast. The tournament could add anything between £500,000 and £5m or more, depending on the team's progress and TV income. Mr David Murray, chairman of Glasgow Rangers, says his club earned £4m net of costs from playing in the European Cup this season.

Volatility of cup income joins the other great variable, spending on players, in making forecasting particularly difficult. This year analysts have pencilled in £5.3m pre-tax for United, assuming £2m net spending on players.

Ironically, the Premier League win will slightly reduce expected 1992-93 profits. Although it brings £858,000 in prize money as part of the League's broadcasting deal with BSkyB, players' bonuses will take a chunk of that.

The benefits of playing in the Champions Cup flow through in the next financial year. According to Mr Robin Launders, United's finance director, the potential profit score sheet totals about £4.3m and reads like this:

● Each of the first and second rounds could earn £500,000 profit.

● The mini-league stage guarantees six games and could bring in £900,000 profit on home gates (regarded as a conservative estimate) and an average of £1.3m from UEFA, the sport's governing body.

● If United wins through to a semi-final, he estimates that another £420,000 would come via the points system, plus about £700,000 from gate and television fees.

● The final – at a neutral venue – would add little extra because of large bills in terms of team bonuses and travel expenses.

Apart from the large gap between top and bottom profit estimates, there is one other caveat. United's need to buy players may be increased by UEFA's restrictions on fielding "foreign" players. Eight of United's regular first-team players are Welsh, Scottish, Irish, Danish, French or Russian.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BMSS ....fin	3	May 20	2.7	3	4.7
Ingham ....fin	1.25	-	2	7.25‡	3
Silentnight ....fin	5.75	July 1	5.75	8	8

Dividends shown pence per share net except where otherwise stated. ‡For 15 months.

FINANCIAL TIMES SURVEY

■ The tough woman in charge of the negotiations to cut debt Page 2

BULGARIA

■ Shake-up in agriculture hits the food-processing industries Page 4

Wednesday May 5 1993

The private sector is re-emerging from the rubble of the planned economy, but already the government is being criticised for slow progress on reforms. The country's importance in the Balkans has been underestimated, writes **Anthony Robinson**

Re-emerging – if slowly


Rebuilding gets under way outside the parliament in Sofia *Anthony Robinson*

Bulgaria's importance as a stable, reforming country in the heart of the Balkans has tended to be undervalued. This may be about to change as it builds the political and economic institutions needed to consolidate the progress made to date in transforming what used to be one of the most orthodox of the Soviet satellite states.

As in Bosnia, the legacy of Ottoman rule includes several Moslem minorities, including Pomaks, who are ethnic Bulgars converted to Islam, and ethnic Turks. But Bulgaria has managed to avoid the ethnic conflicts of neighbouring Yugoslavia. Nor has its economy been engulfed by hyper-inflation, even though, before the collapse of Comecon, Bulgaria was the most closely linked to the former Soviet market. Its currency, the leva, has also been stable for the past two years, and a private sector is re-emerging from the rubble of the planned economy.

It would be a mistake, however, to take Bulgaria's contribution to maintaining the stability of a historically fractious region for granted. Bulgaria and Serbia have fought three wars over Macedonia in the last century and a spill-over of the current Bosnian war into Kosovo or the newly recognised former Yugoslav republic of Macedonia would almost inevitably involve Bulgaria and the two historic rivals on its southern flank, Greece and Turkey.

That could lead to a tragedy of incalculable dimensions which, Bulgarians are convinced, would not only inflame the Balkans but have repercussions throughout the continent. That is why President Zhelu Zhelyev, while calling on the UN, the EC, Nato and other institutions to intervene militarily if necessary to stop the fighting in Bosnia, insists that neither Bulgaria nor any other Balkan state should get involved in the Yugoslav imbroglio. "To do so would risk claims and counter-claims of irredentism," he says in recognition of the conflicting historical claims to territory and peoples which bedevil the region.

External risks aside, however, Bulgaria's strenuous efforts to rebuild on market principles an economy gravely distorted by decades of reliance on cheap Soviet energy and raw materials for its industry and on Comecon markets for 80 per cent of its foreign trade, are stretching the capacity of the country's inexperienced politicians and the patience of an electorate confused by five governments in three years.

Since the end of last year Bulgaria has been ruled by a government of technocrats. It is headed by Mr Lyuben Berov and supported by an odd coalition of former communists, ethnic Turks and breakaway rebels from the anti-communist Union of Democratic Forces.


President Zhelu Zhelyev: keeping out of Balkan conflict


Prime minister Lyben Berov heads a government of technocrats

Mr Berov, a 67-year-old former university professor, took up the reins dropped by Mr Filip Dimitrov after the UDF government, elected with a small majority at the October 1991 general elections, collapsed. The UDF, a broad-ranging umbrella movement united by anti-communism but little else, was riven by internal dissension. Its last months were accompanied by growing differences between President Zhelyev, one of the UDF's founders, and Mr Dimitrov, whom he accused of incompetence and insensitivity to the pain which the government's economic and social policies were causing the majority of the country's 8.5m people.

In practice, the margin for alleviating pain is small. Bulgaria was saddled with an $11bn foreign debt by the previous communist regime led by Todor Zhivkov and is required by the International Monetary Fund to keep this year's budget deficit to 7.9 per cent of GDP to qualify for a new standby agreement. This, in turn, is needed if Bulgaria is successfully to renegotiate its $8.5bn debt to the London Club of commercial bank creditors. Negotiations are due to resume in Frankfurt later this month.

Faced with unemployment expected to rise to 17 per cent by the end of the year, an ageing population with 2.4m pensioners and a brain drain of the economically active, the government has been able to do little more than increase credit subsidies for newly privatised small farmers and allocate funds for badly needed safety improvements on the railways. Later this year it hopes to introduce VAT and other tax reforms to raise revenue and target more effectively the emerging private sector.

Its main problems are the government's lack of a solid political base and popular disillusionment after three very tough years in which most people have lost the security but also the predictability of a communist regime. Regained freedoms and wider choices are still cherished. But ordinary Bulgarians are finding it increasingly hard to get visas from western embassies to travel and falling incomes have kept newly available imported goods out of reach, except for a minority of new entrepreneurs, many of them closely connected with the former regime.

"It is not enough to be offered a form of economic Darwinism", says Mr Georgy Pirinski, a former communist who is now a leading figure in the social democratic wing of the Bulgarian Socialist party. "We need an industrial policy which will help us to restructure and save our shipbuilding or engineering companies like Balkancar, as well as developing the service industries and the private sector."

As part of the coalition sustaining the government, the BSP, successor to the communist party, is again able to influence policies from within. For UDF politicians, such as Mr Ivan Kostov, the former finance minister, and many ordinary Bulgarians, the continuing influence of the former communist *nomenklatura* is one of the main reasons for the slow progress of structural reforms and privatisation.

Although only in power for 100 days, the government is already being criticised for failing to improve on the slow progress towards privatisation and the delayed introduction of vital banking and other legislation of previous governments. Old habits and the power of old connections undoubtedly play a part in holding up reforms. But the delay also reflects the difficulty of recruiting and keeping skilled and experienced personnel in the face of competition from the private sector and the exodus of many of Bulgaria's better educated younger people.

Bulgaria had been losing competitiveness for 15 years before the communist regime collapsed and industrial output has dropped by 50 per cent over the last three years alone. Without more foreign investment and freer access to EC markets in particular, it will be virtually impossible for Bulgaria to modernise its economy and develop a stabilising middle class by its own efforts alone.

Whether such assistance is forthcoming depends as much on western Europe's ability to re-assess the importance of maintaining stability in the Balkans, as on Bulgaria's own continuing efforts to throw off the legacy of the last four decades and establish itself as a modern, moderately prosperous democracy.

THE ECONOMY

Next year may see recovery

ANY economy that manages to survive the wrenching changes suffered by Bulgaria over the last three years must have a brighter future than meets the eye. This is the thought which sustains the country's economic managers and ordinary citizens as they slog through the fourth year of a painful readjustment that, on the basis of incomplete official statistics, has halved industrial output and reduced GDP per capita to a mere $980 a year.

The assumption in this year's budget is of a further 3-4 per cent decline in GDP in 1993, accompanied by at least 60 per cent inflation and a further rise in unemployment to about 17 per cent by the end of the year.

Independent economists expect inflation to remain around last year's 80 per cent level given the 18 per cent rise over the first quarter and the prospect of further inflationary surges with the reduction in energy subsidies planned for May and the introduction of VAT later this year.

If all goes well, however, and that includes no extension of the Bosnian war to the wider Balkan arena and reasonable domestic political stability, the economy should start a slow but accelerating recovery early in 1994.

Getting back onto a sustainable growth path depends largely on the government's ability to push this year's budget through a fractious parliament with its 7.9 per cent of GDP budget deficit ceiling intact. But it also requires pressing ahead with privatisation, tax reform and modernisation of the banking and financial sectors.

Progress on all these fronts is required if the International Monetary Fund is to sign a new standby agreement. Such a signal of support from the IMF is needed to reassure potential investors and help smooth the path towards a debt reduction agreement with the London Club of commercial bank creditors to whom Bulgaria owes $8.5bn of the total $11bn foreign debt run up during the final years of the communist regime.

As the OECD noted in its first economic assessment of Bulgaria last year: "External debt is the sword of Damocles hanging over the Bulgarian economy." Over the medium term, it added: "Bulgaria will attract official capital inflows, foreign investment and trade credit only if a satisfactory solution to the problem of external debt is found."

> The OECD says external debt is "the sword of Damocles hanging over Bulgaria's economy"

Since reneging on its debts in 1990 Bulgaria, the former Soviet bloc country most dependent on trade with its Comecon partners, has been deprived of access to normal bank finance and unable to attract more than a minuscule amount of foreign investment.

Unofficial estimates put total foreign investment over the last three years at around $100m, compared to the $5bn which has flowed into Hungary over this period. But substantial involvement by the World Bank, the IMF and other international institutions has led to the drawing up of substantial sectoral modernisation plans for key sectors such as telecommunications, nuclear safety and environmental protection.

At last month's European Bank for Reconstruction and Development conference in London, improving the safety of the Kozloduy nuclear power complex was singled out as the first project for the recently formed nuclear safety facility.

The prospect of substantial funding for infrastructure and development projects is starting to attract international companies. Siemens and Alcatel, for instance, are expected to set up new production facilities in Bulgaria. The country has a skilled electronics workforce but its domestic industry, heavily oriented on exports to the Soviet Union, virtually collapsed with the demise of Comecon.

Good prospects for oil and gas prospecting in the east of the country and the Black Sea shelf have also lured British Gas, Texaco and other western energy companies while Rover of the UK has joined Greek and Turkish companies attracted not only by growth prospects in the 8.5m-strong domestic market but Bulgaria's long-standing trading contacts with the former Soviet Union and its membership of the recently-established Black Sea economic zone which includes Turkey and several of the former Soviet states.

In March, Bulgaria signed a free trade agreement with Efta and an association agreement with the European Community which should facilitate the further re-orientation of Bulgarian trade to western markets. But the EC accords leave much to be desired, with special protocols still to be finalised covering sensitive sectors such as textiles, food and steel while wine, one of the few export success stories, is excluded from the arrangement.

Even so, the latest agreements are welcome in a country which until 1989 conducted nearly 80 per cent of its trade with the socialist bloc and which is being forced to re-orientate its trade not only westward but also south and east to Greece, its EC neighbour, and above all to Turkey and the Middle East.

Such a shift has been accompanied by much pain. Whole swathes of Bulgarian industry, initially built up with Soviet subsidies and equipment to serve the Soviet market, have been decimated. Giant chemical, metallurgical, engineering and electronics plants were deprived of their traditional markets overnight and, in the case of the electronics sector in particular, revealed as hopelessly obsolescent in the face of competition from south-east Asia.

The same is true for the farming sector, which has been doubly hit both by the disappearance of the former inexhaustible Soviet demand for cheap wine, grain and processed foods and by a chaotic process of land restitution and privatisation.

Longer term, the shift to market mechanisms and modernisation of its agro-industry should make much better use of the country's fertile land and clement climate.

Meanwhile, the 50 per cent decline in industrial output, painful though it is, has exposed the nature of the old centrally-planned economy with its enforced dependence on Soviet raw materials and markets. The shift to a less energy-intensive and more productive economy based on service industries, light engineering, tourism and a modernised agro-industrial sector has started.

The private sector, concentrated initially in trading and services, has not yet filled the gap left by the collapse of state industry. But its share has risen from around 5 per cent to an estimated 20-25 per cent of an overall lower GDP.

Times are still hard but an economic transformation is under way in Bulgaria which mirrors, with a time lag, the reforms that have already changed the face of central Europe.

Anthony Robinson

Profile of an entrepreneur

Getting paid is a high priority


Ljubomir Gibinsky, of Prime Investment Trust Holding *Anthony Robinson*

LIKE MANY budding entrepreneurs in eastern Europe, Mr Ljubomir Gibinsky, the brains behind Prime Investment Trust Holding, one of Bulgaria's fastest growing private banking and investment groups, made his first million as a money changer, write Anthony Robinson and Virginia Marsh.

Last year the group's banks, newspapers, consulting services, tourism and money changing activities reported a turnover of Lv25bn (about $1bn), according to the former philosophy and political science lecturer from Plovdiv, Bulgaria's ancient second city.

For four years the portly, pale-faced capitalist with a goatee beard and long, manicured nails has hardly had a day off. Indeed, he has not left Bulgaria. Last month he picked up a new passport in order to accompany Mr Lyuben Berov, the prime minister, to Moscow on a trade mission designed to revive trade and settle Moscow's outstanding debt.

"Business in eastern Europe is all about assuring payment," comments Mr Gibinsky who, like many Bulgarian intellectuals, spent years studying in Russia, in his case at Moscow State university.

The high priority he attaches to getting paid also applies at home where collecting overdue payments on behalf of indebted state companies and other clients forms a substantial part of his business. "Bulgarian companies are being strangled by debt. We help to keep them afloat and advise them on privatisation," he says.

Among his clients is one of Bulgaria's biggest steel and engineering companies whose management has been approached by foreign companies such as ABB, the Swiss-Swedish power engineering group, Mannesmann of Germany and Kobe of Japan, which, he believes, want to buy the company in order to close it down.

"If we can keep this company afloat for two years it could become the best machine building factory in the Balkans. It can make castings of up to 80 tonnes, but is only working at 20 per cent capacity. If we allow it to be strangled by debt now, it will go under," he believes. "I'm not a nationalist but we have to protect our future and the jobs of thousands of Bulgarians are at stake," he adds.

Mr Gibinsky sees his function as that of a home-grown merchant banker, helping to rationalise the Bulgarian economy. To many ordinary Bulgarians, crushed by rising prices and unemployment, he and his four partners – a doctor, a physicist, an economist and a driver – reflect the unlikely background of Bulgaria's budding entrepreneurial class.

With their silver Mercedes and smart suits they now look to many Bulgarians like the capitalist sharks they were warned about in their socialist schooldays.

Mr Gibinsky lives in a house opposite Sofia jail. "People used to say that I now live opposite the jail, but in a few years time I'll be living opposite my house," he says with a rueful shrug of his shoulders at the enduring conservatism of his compatriots and the suspicion which accompanies new wealth.

Anthony Robinson meets a key negotiator

Struggle to cut debt

DEBT reduction is crucial to Bulgaria's future economic growth and political stability. So the government has put the responsibility for carrying out debt negotiations with both the Paris and London creditor clubs in the hands of Ms Mariana Todorova. She has joined Ms Hanna Suchocka, Poland's prime minister, and Ms Hanna Gronkiewicz-Walz, the governor of Poland's central bank, in that small group of high-powered women decision makers who have emerged in former communist Europe.

Her combination of charm, intelligence and toughness will soon be focused on foreign commercial bankers, who hold the bulk of Bulgaria's total $10.96bn foreign debt, when the negotiators and their London Club bank creditors, led by Deutsche Bank, meet in Frankfurt later this month.

At issue is the $8.5bn owed to a group of more than 300 foreign banks, most of it accumulated over the last five years of the Zhivkov regime. During this period the communist government borrowed heavily both to service its existing debt and to pay for the import of components and equipment. Much of the imported components were then incorporated in goods which were exported to the former Soviet Union for soft roubles or sent to slow-paying countries such as Iraq, which still owes Bulgaria $2bn.

External debt stock in convertible currencies 1990-1992 (in $m)

	1990	1991	1992
Paris Club (official creditors)	1,479	1,118	1,205
London Club (commercial banks)	7,277	7,875	8,508
Comecon countries	1,150	1,188	1,250
TOTAL	9,796	10,181	10,963

Sources: National Bank of Bulgaria and International Monetary Fund

Large-scale borrowing, amounting to $1,200 a head, helped to prop up the Zhivkov regime and disguise the declining competitiveness of the economy since the mid-1970s. The loans were provided mainly by European and Japanese banks on the assumption that the former Soviet Union stood in the background as lender of last resort to its former satellites.

That illusion was smashed in 1990 when the Socialist party (communist) government, faced with the need to repay over $3bn in capital and interest, first stopped interest payment and then capital repayment. By that time the Soviet Union was in no position to bail out anybody.

"There was no alternative to declaring a debt moratorium," says Ms Todorova who, as a senior research fellow at the Institute for International Relations in Sofia, had been compiling facts on the debt situation and knew that the refusal of western banks to roll over credits made default inevitable.

Since then, however, Bulgaria has been cut off from access to international capital markets and has had to rely on financing from the International Monetary Fund, the World Bank and aid sources such as the European Community Phare Fund.

The first step towards normalising financial relations came with last year's rescheduling agreement for the $1.8bn

Mariana Todorova: no alternative to debt moratorium

Paris Club debt. This provided for no debt reduction but a seven-year capital repayment grace period followed by repayment over four years. In return, Bulgaria started repaying interest totalling $74m since March 1992. But previous meetings with the London Club left both sides far apart. The Bulgarian side proposed 75 per cent debt reduction while the banks counter-offered with a proposal for a 38 per cent cut.

In this month's London Club negotiations in Frankfurt Ms Todorova will be seeking a Brady-type debt relief with big reductions in both capital and interest obligations. Technically, Bulgaria will offer a full menu of possibilities – including discount bonds, par bonds, front-loaded interest reduction bonds, debt-equity swaps and buy-backs.

"All the countries of eastern Europe are different and their treatment should reflect this as in Latin America where the case-by-case approach has been applied," Ms Todorova argues.

Given the parlous state of an economy whose GDP has virtually halved over the last three years and whose hard currency earning potential is severely limited, Ms Todorova appears most interested in reaching agreement on debt buy-back. She quotes the example of Costa Rica which, with help from the Inter American Bank, was allowed to extinguish its debt by buying back at a discount of 78 per cent.

Bulgarian debt is currently priced on the secondary market at 16 to 20 per cent of face value. Many smaller creditor banks have already offloaded their Bulgarian debt in this way. But it is far from clear that other banks, which also face demands for a 50 per cent reduction in Poland's commercial bank debt, will be ready to write off so much of their Bulgarian book as the price of their previous imprudence.

BANKING REFORM

Loan goes adrift

BANKING reform has become critical for Bulgaria. The Berov administration is under mounting pressure to take steps to clean up and strengthen the banking system if Bulgaria is to rally the outside support it needs to continue with its transition to a market economy.

Both the World Bank and the International Monetary Fund, Bulgaria's largest sources of external financing in the past three years, have tied further loans to progress in implementing banking reform.

Already the second half of a $250m structural adjustment loan from the World Bank has been held up by delays in tackling this issue. Western institutions are concerned by the lack of financial sector regulations and by the growing level of enterprise debt on the books of state commercial banks.

The debts, accumulated by insolvent state firms and estimated at Lv35-60bn ($1.35-2.31bn), are even pushing some banks into bankruptcy. Others cannot be considered for privatisation or as partners for western banks until the debt issue is resolved.

The government has said it will take action but to date has made no firm decisions. "After 2½ years of discussion there is still no consensus on the Bulgarian side as to how to tackle state enterprise debt," says one western consultant. "There is an awareness that something must be done but that's it. They are drifting while all the time the situation gets worse."

One problem is that the country's financial institutions have conflicting interests, he says. "The central bank is concerned about the effect of a settlement on the banking system, the ministry of industry about state firms and the finance ministry about the cost to the budget."

The responsibility for financial sector regulation, on the other hand, lies primarily with the National Bank of Bulgaria, an independent body accountable to parliament alone. The Central Bank Act of 1991 gave the national bank a supervisory role as well as control over exchange rate, credit and interest rate policies.

The bank, too, has delayed action, issuing some prudential regulations only last month. These follow standard international practices and include rules on capital adequacy ratios, liquidity and licensing.

Even now, Mr Todor Vulchev, the bank's governor, acknowledges banking regulation is far from being a reality.

"Powerful groups have set up 'banks' as fronts for their own activities"

"The difficulty will come in implementation. First, most of the state commercial banks don't understand the new regulations. Second, we are not in the best position to supervise them.

"Like other public institutions, we have lost many of our best staff to the private sector. We are now training new people with the help of the US Treasury and Federal Reserve Bank but, inevitably, this takes time."

The central bank is also likely to face resistance to the new regulations from the private financial sector. "There are powerful groups out there who have been following their own rules for the past three years," says one western banker. "Some of them have set up 'banks' as fronts for their own business activities.

"It will be hard to unravel exactly what is going on, not least because many of these private bankers have contacts inside the government and the central bank who will try to shelter them."

One area, however, where progress has been made is in "bank consolidation". This involves the merging of 80 state commercial banks, created by the communists in the mid-1980s, into eight to 10 new banking groups, considered sufficient for a country of 8.5m

The first merger, the United Bulgarian Bank, which brought together 22 banks, began operations in January. "We hope to form four more groups by July, leaving only three banks unresolved," says Mr Plamen Petrov, executive director of the Bank Consolidation Company which was set up in November 1991 to oversee the process.

But he, too, stresses the need for wide-reaching banking reform. "The EBRD is interested in a stake in the UBB. Through this it could open credit lines to the private sector. But it is unlikely to go ahead without more banking supervision and a solution to the internal debt problem," he says.

The central bank would like to see more foreign banks enter the Bulgarian market but this, too, hangs largely on the outcome of foreign debt negotiations.

Meanwhile Austria's Raiffeisen bank has taken a 35 per cent stake in the Bank for Agricultural Credit and several Arab and other European banks have set up representative offices. A few new banks with grand names and influential backers, such as the International Bank for Investment and Development, in which the former finance minister of the Shah is a major shareholder, are also setting up to offer services in competition to the First Private Bank and other fledgling local banks which have emerged in the past two years.

Virginia Marsh

FOREIGN INVESTMENT

Persistence may pay off

WITH its cocktail bars, shops full of expensive goods and luxury cars, Sofia has acquired some of the gloss of a western city. But looks are deceptive. While western companies have been quick to set up shop in Bulgaria, far fewer have ventured beyond trade or committed themselves to large investments, writes Virginia Marsh.

Official figures put direct foreign investment in 1991 and 1992 at $100m, a fraction of the over $7bn in equity capital which has poured into central Europe since 1990.

Foreign investors have been deterred by Bulgaria's comparatively slow and faltering steps towards a market economy. These have led to many political and legislative upheavals in the past three years and been accompanied by a moratorium on debt payment since mid-1990 which has cut the country off from normal bank credit.

"We've had to deal with five governments and many changes in the legal framework, including significant amendments to the first (post-communist) foreign investment and privatisation laws," says Mr Philip Burley of Rover, the British car manufacturer, which has been negotiating to set up an assembly plant in Bulgaria for three years.

With much confusion over responsibility for reform and delays in privatising state firms, often the biggest challenge for a foreign investor is finding a Bulgarian party prepared to take business decisions, says Mr Andrew Kenningham, director of the Bulgarian International Business Association, which represents western investors including British Gas, Rank Xerox and the Bulgarian-American Enterprise Fund.

"Foreign companies are frequently passed like a ball between the privatisation agency, the ministries and the enterprise they are interested in, with no one prepared to execute a deal," he says.

The recession in western Europe and the business climate in central European ex-communist countries have kept investors away, says Mr Konstantinos Livadas, a consultant who represents Delta, a Greek food manufacturer which has invested $3.5m in a distribution network and ice cream factory at Varna.

In spite of his disappointment at Bulgaria's slow pace of change, Mr Livadas remains optimistic. "The market is empty. Companies persistent enough to do business here will find many opportunities."

Infrastructure projects have encouraged western companies to form local partnerships so as to carry out some of the work. Siemens, one of four western firms which recently won a $230m contract to upgrade the country's telecommunications network, has invested DM2m in a joint venture with Incoms, the Bulgarian state communications company. "It will produce some of the digital switchboards for the modernisation project," says Mr Vladimir Bogdanov, head of Siemens' Sofia office.

But many believe foreign investment will pick up only if Bulgaria can reach agreement over its $8.5bn debt to 300 London Club commercial banks. "There are few large investments because foreign firms have difficulty in raising capital for deals in Bulgaria. A resolution of the debt problem is vital if banks are to open new credit lines," says Mr Kenningham.

The government also needs to do more to attract investors, says Mr Livadas. "Restrictions on land ownership by foreigners should be lifted. Tax holidays for those involved in production would also help."

Mr Kenningham agrees: "Bulgaria can be very frustrating. There are many opportunities here especially in agro-industries, electronics and light industries. But many in positions of authority seem more interested in their own business deals than in facilitating foreign investment."

Anthony Robinson on privatisation prospects

Why progress has been slow

BULGARIA is the laggard in east European privatisation. Not even one large or medium state enterprise has yet passed into private hands. But this does not mean that nothing has happened. Wide-scale restitution has returned thousands of shops and other forms of property to former owners in towns and villages accompanied by a partial and controversial restitution of land in the countryside.

The most controversial aspect of the process is widespread hidden or *nomenklatura* privatisation, which really means illegal asset stripping and theft of state or municipal property, often in ingenious ways.

The slow progress of formal privatisation is part of the price being paid for the difficult and confused political transition from an ossified communist regime in a country where neither parliamentary democracy nor capitalism ever had strong roots.

The slow pace has led to disillusion with the reform process which reflects a widespread belief that the "reform communists" who took over power from the Zhivkov clique in 1989 and transformed themselves into the Bulgarian Socialist party (BSP) spent their first year in power salting away state property in private accounts or making sure that former party members remained in key positions.

A typical mechanism for "privatising profit" while leaving the loss-making enterprises in formal state ownerships entails the formation of private companies linked to the family and friends of *nomenklatura* managers. The private companies are able to "buy" products or assets at artificially low prices, ensuring losses for the enterprise but big profits for the new private owners or traders.

Throughout the former Soviet empire, the mechanism is well-known but it is particularly well entrenched in Bulgaria, where much of the legislation needed to back up the transformation to a market economy has yet to obtain parliamentary approval.

Mr Valentin Karabashev, the young deputy prime minister who has the difficult task of trying to co-ordinate government economic policy, says: "Such so-called 'hidden privatisation' discredits the formal privatisation process and slows it down." The only way to struggle against hidden privatisation, he adds, is to speed up open privatisation.

But a succession of five governments in three years, slowness in approving enabling legislation and differing views on how to proceed between the various ministries and the Privatisation Agency, have combined to stultify progress.

Mr Alexander Bozhkov, executive director of the Privatisation Agency, for example, opposes the sort of mass privatisation through vouchers pioneered by the Czech republic and under way in differing versions in Poland, Hungary, Russia and elsewhere. He argues that a mere redistribution of ownership is not enough. "We have not yet succeeded in finding the best way for Bulgaria. We are experimenting with MBOs, ESOPs, virtually everything except complicated voucher programmes. But if they don't

Alexander Bozhkov: mere redistribution is not enough

work, we'll probably opt for some form of voucher system too," he concedes.

Meanwhile legislation remains incomplete. The restitution law, returning physical property to those with valid claims, was passed by parliament in January last year followed by the privatisation law last April. But the law which provides compensation for those unable to reclaim physical assets, which might have been knocked down or transformed into blocks of flats or factories, has already gone through three drafts and has not yet been finalised. Neither has the bankruptcy law, without which it is virtually impossible to close down chronic loss makers.

At present 12 companies are being privatised while 84 companies have been selected for the first round of the process. Up to 20 per cent of shares in privatised companies will be offered to employees at a 50 per cent discount, but only up to the equivalent of one year's salary. A further 20 per cent of shares have to be set aside for purchase by yet to be established mutual funds. In practice, however, foreign investors will be able to buy up to 95 per cent of target enterprises, Mr Bozhkov says.

To facilitate privatisation, many of the large industrial combines employing tens of thousands of workers have been split up into several smaller units and "commercialised" by being transformed into joint stock companies whose shares at present remain owned by the treasury.

Up to now, however, there is little foreign interest in such plants while few Bulgarians have the resources or the desire to take them over. Some will survive, others face bankruptcy. In Bulgaria the shift to a private economy may take considerable time, and it may be largely through greenfield investments in new industries and technologies than through the more complex task of privatising and then converting Soviet-style factories into modern, competitive units.

Pilot project gets ready for lift-off

BULGARIA is hoping the sale of Balkan Bulgarian Airlines, the national carrier, will put its privatisation programme on the map, writes Virginia Marsh.

"Balkan is the first large company to be put forward for privatisation. We are effectively a pilot project for the whole process," says Mr Kostadin Botev, managing director. He hopes the airline, which is being advised by S.G. Warburg, the UK merchant bank, will be sold off by the autumn, after two years of restructuring. "We've reduced our staff from 4,100 to 3,700 but still managed to increase our route network to 64 destinations."

Balkan begins its second marketing phase with a short list of potential foreign partners this month. On offer to foreign investors is up to 49 per cent of the airline, the second largest in the former east bloc after Aeroflot.

The state is expected to retain a minority shareholding of around 40 per cent with the remainder going to Balkan employees and other domestic investors. Mr Botev believes Balkan, with its strategic position on Europe's south eastern flank, has two major options – to link up with either a European or an Asian carrier.

To make the airline more attractive, the Bulgarian government has made Balkan the single carrier on its network for 15 years and agreed to modernise Sofia airport.

Mr Botev says Balkan's low labour costs should be attractive to investors: "Only 7 per cent of our costs go on salaries compared to an average of 30 per cent at western airlines." But the airline's future owners will have to foot the bill for the replacement of Balkan's Soviet-made fleet whose high energy consumption and noise levels do not meet western standards.

With foreign debt negotiations deadlocked, the airline has been unable to secure credits to buy western aircraft. Instead, it has leased four Airbus A-320s, three Boeing 737s and the two Boeing 767s but this has proved expensive. Leasing costs gobbled up 91 per cent of operating profits of $12.4m in the first half of 1992.

Software medallist seeks IBM deal

UNTIL now, the Bulgarian computer industry has been known in the west for its export of sophisticated computer viruses like the Dark Avenger. But now the Cold War is over, some of the country's talented computer hacks, trained in the years when Bulgaria was the main computer software and electronics producer within Comecon and the Warsaw Pact, are putting their skills to more profitable use, writes Virginia Marsh.

Mr Todor Todorov is one such specialist turned entrepreneur. In March, SynthesisSoft, the company he set up with a friend in 1990, won a silver medal at CeBit, Europe's largest software exhibition, for its AlphaWin program which adds Cyrillic and other eastern European languages to Windows, the word processing and desk-top publishing program.

"The exhibition opened up many contacts for a small firm from a small country. We are now discussing joint development with a number of western companies," says Mr Todorov, a modest 40-year-old who worked until 1990 in the computer department of the Bulgarian Sports Union.

In particular, he is hoping the company will become an IBM developer. "This would give us quick access to IBM databases and software tools, increasing our chances of coming up with good programs. Money isn't as much as a problem as lack of information – Bulgarian firms need access to the latest developments."

SynthesisSoft has already shown that much can be achieved on a shoestring budget. For the first two years, the company, working out of a small flat in Sofia's suburbs, raised capital by assembling computers for the home market from Taiwanese components. "We always wanted to develop software but we had no money. A loan was too expensive – the lending rate is more than 60 per cent – and too risky in an industry like this where two years of research might have produced nothing."

Using profit gleaned from turnover of about $35,000 in 1990 and 1991, the company last year turned to developing and selling software. With the success of AlphaWin and of English-Russian and Bulgarian computer dictionaries, turnover jumped to $100,000 last year. Mr Todorov expects to double sales in 1993.

In spite of the success at CeBit, Mr Todorov is looking for partnership only with western firms. "We don't want to be bought out by one of the large computer companies – yet. We have many more ideas which we would prefer to work on first as a small unit."

Unlike many new entrepreneurs, he takes a long-term view. "Many private firms are making money in trade and spending it on fast cars. We're trying to increase our scope by reinvesting our profits in more powerful computers."

The foreign trade picture has changed, writes **Virginia Marsh**

Russia still a vital link

THE changing face of Plovdiv Fair, Bulgaria's largest annual trade event, epitomises the transformation taking place in Bulgaria's foreign trade.

Four years ago, it was the classic Comecon trade exhibition where member states exchanged machines and capital goods according to pre-arranged quotas. These days, the fair offers Bulgarian companies the latest in western technology and consumer goods and acts as a showcase for Bulgarian companies, both state and private, which are looking for partnerships with foreign concerns.

"The fair reflects the change in the country's trade and commercial structure," says Ms Maria Todorova, head of public affairs. "Already, more than half of the Bulgarian exhibitors are from the private sector while the growth in trade with western countries has boosted foreign participation. This year we have participants from more than 35 countries."

The collapse of Comecon and the liberalisation of trade has opened up opportunities, especially in the Black Sea region. "We want to promote Bulgaria as a bridge for trade with the Black Sea zone and the former Soviet Union. Western companies can market themselves in the region from here," says Ms Todorova. Bulgaria's traditionally strong relations with the FSU may give it an advantage over neighbouring countries Greece and Turkey which are also trying to build up their trade relations.

"In a confused period like this, contacts and trust between business partners become vital. Official relations between Bulgaria and the former Soviet Union may have changed but the personal contacts are very much alive," says Mr Konstantinos Livadas, a Greek investment consultant based in Sofia. "Greek firms realise this. Many are using Bulgarians as middlemen for trade with the FSU."

According to the Ministry of Trade, the FSU accounted for only 28 per cent of Bulgaria's foreign trade last year compared to 75 per cent in 1989. In contrast, trade with western countries continued to grow. The European Community, with which Bulgaria has just signed an association agreement, accounted for 31 per cent of the country's trade in 1992.

But most doubt the accuracy of the official figures, due to incomplete information on the private sector and the thriving black economy. "It's very hard to keep track of what private companies are up to but we believe Bulgarian firms are very active in the former east bloc, and especially in Russia," says Mr Ivan Kolev, head of the eastern European department at the Ministry of Trade.

He believes there are already some signs of a revival in trade with the former Comecon countries, especially those exporting products made in partnership with foreign investors. With goods such as washing powder from Procter and Gamble's Rakona plant and Skoda/Volkswagen cars popular with Bulgarian consumers, imports from the Czech and Slovak republics and Hungary grew last year.

While underlining that the country remains committed to developing closer trading links with the west, Mr Kolev says Russia remains a vital trading partner for Bulgaria. "Above all, we need spare parts – many of our industries run solely on Russian-made equipment," he explains.

He is also looking to the future: "Russia is a vast country with many resources. Links with western markets give us new possibilities but they cannot substitute for the opportunities in the east." He welcomes initiatives to revive economic co-operation between the former Comecon countries which were discussed at the April meeting in Copenhagen between the EC and its eastern European associate members.

Bulgaria hopes to join the trade pact agreed between Hungary, Poland and the Czech and Slovak republics last year. "A regional free trade area will help us in the short term. It can also foster eventual integration into the EC – unlike in the past, we will work to international practices and standards," Mr Kolev says.

But there are other reasons for pursuing rapprochement with the former east bloc. "We need time to adapt our production and raise standards to be competitive in the west," says Mr Valentin Karabashev, minister of trade.

He deplores the EC's decision last month to ban the import of livestock and dairy products from eastern Europe. "It is a worrying precedent. Bulgarians think that behind the formal reasons were purely economic motives. The restrictions came exactly at Easter time when the price of lamb on the Greek and Italian markets is at its highest."

Privatisation may spur more upmarket visitors, **Theodor Troev** reports

A new image for tourism

BULGARIA'S privatisation agency has just been presented with a plan to upgrade the country's tourist industry through privatisation and foreign investment. "We are targeting some 500 potential western investors, and over 50 of them are already showing interest in the privatisation of our tourism industry," says Mr Yaroslav Karaboikov, senior expert at the privatisation agency's tourism division.

The plan calls for the privatisation of 30 companies, including Black Sea resorts, hotels, tour operators and other travel-related firms, by the end of the year. Committee of Tourism officials say that most of the currently existing 150 state companies in the sector should be privatised by 1998.

The hope is that privatisation will help Bulgaria's tourist industry improve its quality of service and target more upmarket visitors. Under communism, the country was forced into the lower end of the mass tourism market: cheap package holidays in block-like hotels along the sandy Black Sea coast. Most of the 2m tourists a year came from the former eastern bloc countries.

In 1989, tourists from eastern Europe accounted for 63 per cent of all holiday makers in Bulgaria. Last year their numbers dropped to 18 per cent. They have been partially replaced by an influx of western tourists, a trend which should encourage foreign investment.

A list of potential western buyers is appended to a programme developed by a team of international consultants Arthur Andersen. Last July the consultants won an EC Phare programme tender to advise the government on privatisation. They used as a starting point a study of Bulgaria's tourism sector funded by the British Know How Fund and completed by the UK group Horwath Consulting last August.

According to Horwath, the future of Bulgarian tourism lies in the development of specialised package tours, catering for those interested in history, religion, arts, architecture, rural tourism and hunting. The country has much more to offer than cheap summer seaside or winter skiing packages. It boasts a wealth of Thracian, Roman and Byzantine remains, monasteries and mosques as well as extensive woodlands and mountains.


The Roman amphitheatre in Plovdiv: the country has many historic sites

The report also recommended developing religious heritage trails, converting former monasteries to hotels, and restoring a royal train. It identified other opportunities in conference travel, spa treatment and ecological tourism. Casinos, roadside tourism and holiday villages emerged as other attractive targets.

Horwath emphasised the need for speedy privatisation. Though some 3,000 of the country's 3,150 tourism-related companies are private, they account for only 10 per cent of the total turnover. Obstacles to foreign investment include unclear ownership due to the restitution of property to its former owners, and ambiguous legislation. The Committee of Tourism is expected to submit a Tourism Bill to the government later this month.

Arthur Andersen's privatisation strategy mainly targets big western investors. But the Committee of Tourism and the Privatisation Agency have also considered proposals put forward by Bulgarian consultants such as Intertourist-consult, Deni and Triada Consulting.

Meanwhile Balkan Holidays and Balkantourist, the country's main tour operators, report steady demand from Germany, Britain, Austria, the Netherlands, and the Scandinavian countries. Bulgaria's tranquil Black Sea coast offers an alternative to Croatian coast resorts that have been closed because of the fighting in former Yugoslavia.

"We had a successful winter season, and most of the summer vacations that we offer have also been booked," says Mr Ognian Avgarski, president of Balkan Holidays International. "This year we expect to bring over 150,000 western tourists through our companies in 17 countries."

Balkan Holidays is also working on a privatisation plan, but is taking a cautious approach. Mr Avgarski believes a management buyout might be a better option than allowing western tour operators to obtain a majority stake.

Virginia Marsh and **Anthony Robinson** on the shake-up in agriculture

Casualties of the state farms

THE COLLECTIVISATION of Bulgarian farming 45 years ago was a catastrophe. The first stages of de-collectivisation carry the risk of a similar dislocation – albeit without the coercion and violence which accompanied the communists' destruction of private and peasant system of farming.

The slaughter of thousands of animals is perhaps the most tangible sign of the confusion which has followed the dismantling of state co-operatives by government-appointed liquidation committees.

"Animals were given to peasants who did not have land to keep them on," says Mr Georgy Tanev, who became minister of agriculture earlier this year. "In addition, the committees were run by people with no experience of agriculture who sold off co-operatives' fodder before returning the animals."

The result was the slaughter of 1.9m sheep, 460,000 pigs and 235,000 heads of cattle in 1992 alone, he says. The drop in the number of animals has had a knock-on effect on the food processing industries.

"We're running well below capacity because our supply of milk is about one third of what it was two years ago," says Mr Peycho Zagorski, manager of the Topalitza dairy in Karlovo, a small town in the Valley of the Roses in central Bulgaria.

Production can begin only at midday, he says. Before that the dairy's trucks travel up to 100km to pick up milk from around 80 collection points. "Around 90 per cent of the milk now comes from private farmers but they cannot meet the demand. Hardly any of them have more than 15 cows."

Between the Balkan and Sredna Gora mountain ranges, the break-up of state co-operatives has led to subsistence farming on small plots of land, divided by stakes and rows of stones. Unlike the previous 50 years, the fields are hives of activity. People work their newly returned land at weekends and late into the evening.

But the level of technology – horse-drawn carts, spades and wooden ploughs – is a throwback to the pre-industrial age. Meanwhile, the oversize machines of the communist era lie unused in abandoned collective farms.

"Farmers don't have the machines they can work with. Russian tractors can't even turn around on the size of the plots which are being given back to people," says Mr Stewart Campbell, head of an EC-financed Phare project which has pledged Ecu 50m to help agricultural reform since 1990.

Nevertheless, Mr Campbell believes the best way forward is to press ahead with land restitution as provided for in the 1991 land law. This gives former owners and their heirs the right to reclaim up to 30 hectares of farmland.

"Once people receive their land with the full titles, a land market will emerge. Consolidation into more economically viable units should then take place," he says.

However, land restitution has been slower than anticipated. By mid-April only 13.3 per cent of arable land had been returned to owners within its final borders, admits the Ministry of Agriculture.

"Part of the problem is that we don't have good records. The communists destroyed land registers and any reference to private property," says Mr Evgeniy Matinchev, the deputy prime minister.

But restitution has also become a sensitive political issue. The government, which relies on the support of the socialist party to stay in power, is under pressure to stem the decline in production caused by the break-up of collective farms.

"We need to find other ways of managing the land before it is handed over. We do not want to divide up all the large farms, especially those with long-maturity crops such as vineyards and orchards. Redistributing the land in its original borders would destroy these," says Mr Matinchev.

While adamant that restitution remains a priority, Mr Tanev believes one solution is the encouragement of private co-operatives. "We need people to work together to plant, produce and look after the animals," the agriculture minister says. "Private co-operatives bear little resemblance to those we had under the communist system. Members are free to make their own decisions, like shareholders in a company."

But Bulgaria's main opposition party, the Union of Democratic Forces, an anti-communist alliance, disagrees. "These co-operatives will slow down and even stop real restitution," says Mr Vlado Stoentchev, the UDF mayor of Velingrad, a small town 130km from Sofia.

"People are being manipulated into forming a copy of the former structures without being given the chance to explore the alternatives," he says. "It's vital for land to be privatised, then the owners can decide for themselves. That is why this municipality is leading a war against moves to re-form co-operatives."

Tobacco industry seeks greater incentives

BULGARIAN tobacco industry executives want the government to offer better incentives to newly privatised producers and potential foreign investors to revive what is traditionally one of the country's best earners, writes Theodor Troev.

International tobacco companies Rothmans and Reynolds have indicated their readiness to invest heavily in Bulgaria.

However, Bulgarian tobacco growers face short-term difficulties if agrarian reform does not stimulate production from fields that have newly been returned to private owners. Last year, production was only half what it was in the early 1980s when Bulgaria was the biggest tobacco producer in Europe with a 19 per cent market share and was the world's seventh largest producer. Now the country produces only 10 per cent of Europe's tobacco, and ranks 14th in the world.

Bulgartabac, the state-owned tobacco monopoly, was once the world's biggest exporter of cigarettes and the second largest tobacco exporter. Tobacco and cigarettes accounted for half of Bulgaria's exported processed agricultural products.

But the US overtook Bulgaria in the 1980s and now exports more than twice as much tobacco. The loss of former Soviet and Comecon markets in recent years has crippled export sales. Bulgartabac's exports to the CIS last year were only 76 per cent of those to the Soviet Union in 1991. Exports to Poland, Hungary and Czechoslovakia also fell after customs duties went up to protect their industries.

Bulgartabac officials complain that the Bulgarian government did just the opposite last year when it cut customs duties from 80 to 40 per cent. As a result cigarette imports rose to 6.5m kg in 1992, equal to the annual production of 10,000 Bulgarian farmers, according to the Union of Tobacco Producers.

Meanwhile, farmers complain that the prices paid for their tobacco by the state monopoly cover under 70 per cent of production costs. The UTP claims that, given the incentive of higher prices, tobacco production could leap to 100m kg. As it is, Bulgaria's 12 tobacco-processing plants and nine cigarette-producing factories operated at only 60 per cent of capacity last year.

THE ENERGY MARKET

Nuclear power needed

BULGARIA has got through the winter without the power cuts which used to make life a misery and disrupt the economy, writes Theodor Troev.

The improvement is partly due to three years of sharply falling energy demand from the hard-hit heavy industrial sector. But lower demand has been coupled with diversification away from near-total dependence on Soviet oil and Ukrainian coal and safety improvements to the Kozloduy nuclear energy complex.

Higher energy prices are also creating a more efficient and rational energy market. Recently the government announced it would raise electricity prices by 50 per cent for households and 10 per cent for industry from this month. Coal and central heating prices are also to go up. In February, petrol prices rose 50 per cent.

These were hard decisions, but there was little alternative after decades when domestic consumers paid far below energy costs. "With the price hikes, subsidies will be kept to a minimum," says Mr Nikita Shervashidze, deputy chairman of the Committee of Energy.

Cuts in energy subsidies are part of the price for obtaining the help of the international financial institutions such as the World Bank, which is providing a $93m credit to complete the Chaira project.

Chaira, the biggest water pump storage dam in the Balkans, has been under construction for more than a decade. It will use off-peak electricity to pump water uphill and generate hydroelectric power during peak periods. Its first 210MW generator starts operating this month and three similar units are scheduled to come into operation by 1995.

Hydroelectricity, however, remains relatively unimportant, generating some 6 per cent of the country's energy, compared to 54 per cent generated by thermo-electric power stations, and 40 per cent by the nuclear complex at Kozloduy.

Bulgaria is now working on an "energy charter" which focuses on two main areas: the better use of indigenous lignite and nuclear power, according to Mr Shervashidze. To reduce pollution and raise efficiency, locally mined coal of low calorific value is being mixed with imported coal from Indonesia and South Africa.

Under the charter plans several coalmines will be closed. Of 14 mines in Bulgaria that employ 65,000, only four are now profitable. A holding company will be set up to manage the mines and decide which should close.

Meanwhile, a continuing role is projected for nuclear power, which has contributed an increasing proportion of Bulgaria's energy since the first Soviet-made reactor started operating at Kozloduy on the Danube in the late 1960s.

After a damaging report by the Vienna-based International Atomic Energy Agency in 1991, two of the plant's four 440MW pressurised water reactors were shut down. One of these units has since been repaired with international support, a long list of safety improvements have been made and staff have been retrained. Last month a new, 1,000MW reactor, which incorporates many western safety features, began operation.

On safety standards Mr Shervashidze says Kozloduy is no worse than some western plants. Its two oldest reactors are due to be phased out within five years. They are likely to be replaced, however, by a new nuclear plant, either at Kozloduy itself or at another site.

Many western critics still regard Kozloduy as a nuclear time bomb. Mr Jacques Attali, the EBRD president, recently called it "especially dangerous" and said that Kozloduy would be the first among eastern Europe's outdated reactors to get financial aid from a nuclear safety fund, newly established by the G-7 and managed by the bank.

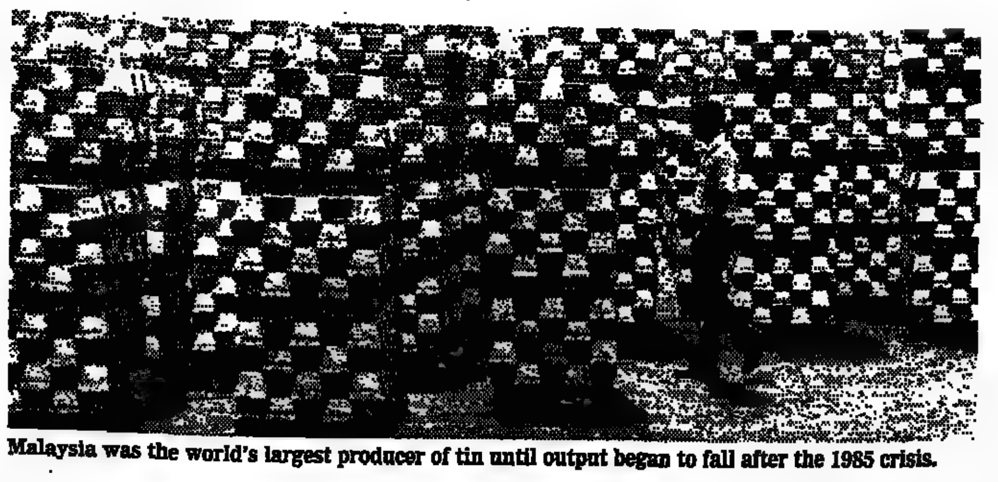
But Mr Shervashidze argues that for Bulgaria, which imports some 70 per cent of its primary energy, nuclear power provides the only independent energy source. The unreliability of supplies from the former Soviet Union has underlined the need for alternative sources, he adds.

Some relief may be at hand if western companies such as British Gas, Enterprise Oil, Texaco, and OMV of Austria find oil and gas for which they are prospecting. But these new sources of energy would be earmarked for export to earn hard currency and the government is now considering building a new plant on the Danube.

COMMODITIES AND AGRICULTURE

Malaysian group to pull out of tin mining

By Kieran Cooke in Kuala Lumpur



Malaysia was the world's largest producer of tin until output began to fall after the 1985 crisis.

MALAYSIA'S TIN industry, already suffering its worst production slump since the second world war, has been dealt a body blow with the announcement that Malaysia Mining *Corporation*, one of the country's biggest tin producers, is pulling out of tin mining.

For years tin mining has been the core of MMC's activities and until recently Malaysia was the world's largest producer of the metal.

The corporation has been producing a large part of the country's tin, but a prolonged period of low prices, rising production costs and the depletion of high grade tin reserves has forced the company finally to hang up its mining helmet in Malaysia.

It announced the move along with its results at the weekend. After suffering losses in its Malaysian mining division for the third successive year MMC said it had little alternative but to cease its mining operations. Overall company profits had fallen by 19 per cent to M$42m (US$16m) last year.

The MMC results provided for a write off of M$37m to close the company's tin mines and a further M$23m in investment write offs.

Last year Malaysia's production of tin-in-concentrates was 14,339 tonnes, the lowest since 1946 and down from 20,710 tonnes in 1991. Mr Redzwan Sumun, executive secretary of the *Association of Tin Producing Countries*, says that as a result of MMC's move, Malaysia's tin output is likely to be halved over the next year. "I doubt the small mines can make up the slack," he said.

MMC is only the latest tin operator to conclude that the industry in Malaysia has a bleak future. In 1990 there were 141 tin mines in the country. Now there are barely 50.

The critical year for MMC and the world tin industry was 1985 when the International Tin Council's buffer stock operations collapsed and more than *100,000* tonnes of stockpiled tin came on to the market.

Ten years ago Malaysian tin was earning between M$32 and M$34 a kilogram; this week the price slumped to M$14.

Malaysia, with its fast industrialising economy, is facing labour shortages in many areas. Wages are rising and even the most efficient miners say tin production costs are now at least M$16 per kg.

China, Brazil, Indonesia and Bolivia – all of whom have lower wage costs and more accessible tin deposits – have now overtaken Malaysia in the tin production league.

MMC has successfully diversified out of its core business in Malaysia into engineering and gold and diamond mining in Australia. But other smaller, less well capitalised companies, have simply closed down operations and sold their tin mining sites to be used for aquaculture, water sports, parks or real estate.

This month the ATPC, which groups Malaysia, Indonesian, Australia, Bolivia, Nigeria, Thailand and Zaire, is due to meet here to discuss the future of the tin mining industry.

The association feels that two main factors are prolonging the slump in tin prices: the absence from the market of the former Soviet Union, which at one time was importing more than 20,000 tonnes of tin annually, and the continued selling of tin stockpiles by the US Defence Logistics Agency.

Most producers feel that with more mines closing and world tin stocks being gradually depleted, prices will rise. But MMC, along with many others, has decided it can wait no longer. Mr Muhamad Nur Muhamad of the Malaysian *Chamber of Mines says there is* as yet no indication that price trends are being reversed.

"If prices and demand do not improve, it would be difficult for Malaysia's mining sector to continue sustaining itself. More mines will have to shut down," he warns.

Loss of guarantee will cut UK farmers' wool earnings in half

By David Blackwell

UK SHEEP farmers face a reduction of almost half in their income from wool following the demise of the British Wool Marketing Board's guarantee price after 42 years.

Last year the wool price was guaranteed at 117p a kilogram. The market price is about 64p – a marginal level for many farmers.

The government's termination of the guarantee scheme could not have come at a worse time, Mr Alun Evans, chairman of the board, said yesterday. The world wool industry had been plunged into crisis by overproduction in the southern hemisphere and the recession.

But the board had been preparing for the end of the scheme under the Agricultural Marketing Act and had cut its costs to the level of 13 years ago at 23p a kilogram from 35p at the peak. Staffing had been cut from 160 to fewer than 60.

The BWMB will retain its statutory obligation to collect all the wool – 50m kg – from the UK's 100,000 producers, including those in Northern Ireland and the Western Isles. This is necessary because 60 per cent of producers grow about 20 per cent of the total clip in amounts of 400 kg or less. The wool is seen principally as a by-product of lamb production. "In times like these nobody would be likely to collect the wool from farmers, particularly in the remote regions," said Mr Evans.

The world market for wool, which is totally free, is depressed by huge overhangs of stocks in Australia and New Zealand. Last week the Australian government announced a 12-month moratorium on sales from the country's 3.9bn-bale stockpile in an attempt to end the slide in prices, which are at historic lows.

The BWMB has retained £10m in order to be able to make what it called a prudent downpayment on the coming clip, with the balance to be paid at the end of the season. It intends to maintain this system in order to ensure a smooth supply of wool.

Mr Donald Holdsworth, chairman of the British Wool Federation, which represents the textile industry, said the smooth flow of wool to auction via the BWMB had greatly benefited the industry, which last year exported £550m worth of goods.

The industry did not object to the removal of the guarantee scheme, but it did object to the timing, said Mr Holdsworth. In West Yorkshire more than 23,000 jobs depended on the wool industry.

Both the Federation and the BWMB had tried to get the government to continue a modified guarantee scheme, or to phase it out over several years, to soften the blow. The BWMB estimated that over its 42-year life the guarantee price had cost the government between £8m and £11m.

The 'fantasy-land economics' of Russian coal

Gillian Tett on the problems dogging the latest victim of the country's industrial crisis

MR VLADIMIR Iorikh, the youthful commercial director of the Kuznetsk coal trading company sat in his office in the grimy Siberian mining town of Novokuznetsk and scribbled some sums on a piece of paper. "It's impossible to work out the real price of coal in Russia – it's fantasy-land economics," he said with a despairing chuckle.

For Russia's huge mining community, though, the better analogy might be a nightmare. For decades after earning its image as an epitome of Soviet industrial might, Russia's mining sector is now finding itself the latest victim of the country's industrial crisis.

Earlier this month the Russian energy ministry announced that coal production in the federation had fallen by almost 25 per cent in the last three years, from 416m tonnes to 328m tonnes. At the same time, government subsidies to the industry have shot up to 1.3bn roubles a year, according to last month's calculations – or 6 per cent of the total Russian budget. Meanwhile, with two thirds of the coal mines estimated to be in need of urgent infrastructural investment, accidents in some areas increased by 30 per cent last year.

"It is a very serious situation indeed – it is worse than any other energy sector," said Mr Yuri Shafranik, Russian energy minister, as he announced plans to close some mines by the end of the year.

To a certain extent the reasons behind this decline are rooted in the familiar litany of Russia's industrial woes. Located on some of richest coal seams in the world, between the 1940s and 1970s the Soviet government developed thousands of mines – and mining towns – in regions like the Siberian Kuzbass, built to feed both local industry, and far flung enterprises and power stations across the Soviet Union.

But with the overall decline of Russia's industry, coupled with the breakdown of the Soviet trading structure and reduced demand for coal on world markets, the mines have been finding increasing difficulty in selling their coal. The result has been growing stockpiles at the mines, spiralling debts across the sector, and a dramatic fall in infrastructural investment which, in turn, has left the mines increasingly dangerous and unproductive.

"The problem is that there is not a very great demand for our coal," explained Mr Iorikh, who estimated that because of falling demand up to a fifth of the mines in the Kuzbass area would have to close, with the potential loss of thousands of mining jobs.

But in addition to Russia's overall industrial decline, the disgruntled Kuzbass mine leaders argue that another factor has been at force in the mining crisis – the government's pricing policy, which fixes the price of coal sold to state enterprises at levels that the mines call "fantasy-land" prices.

"The price is so low that we cannot possibly be profitable," said Mr Vladimir Lavrik, director of the Abashevskaya mine in the Kuzbass. According to his calculations, the mines received between Rbs4,000 and Rbs7,000 a tonne. Although the government was supposed to top this up with subsidies, these were irregular and did not cover production costs. In the past year alone the Abashevskaya mine ran up Rbs800m of bank credits and unpaid debts to other enterprises, as well as a 100,000-tonne stockpile of coal it cannot sell.

"We cannot buy any equipment because we use all our money for wages, and so the situation gets worse and worse," added Mr Lavrik. Although a recent government decree had turned most mines in the area into nominal shareholding companies, in which the government held a 38 per cent stake, Mr Lavrik claimed that because of continuing government control over the industry he was not yet able to contemplate the other potential solution - a radical reduction in his 4000 strong workforce, and a cut in the miner's wage, among the highest in Russia.

For the moment, most mines are attempting to survive by selling as much coal as possible outside state structures and seeking export markets. In the Kuzbass region, for example, the old state bureaucracy that used to decide coal deliveries has been replaced by a new profit-making coal trading company, which has rights to trade coal abroad.

But although some 20 per cent of the region's coal was exported last year, attempts to expand these exports have been dogged with difficulty, not least because of Russia's badly overloaded transport system. Moving a tonne of coal from the Kuzbass to Moscow now costs twice as much as the official state price of coal, while spiralling transit costs at the Baltic and Far Eastern ports have been undermining the low production price. At the same time, poor quality control and deteriorating processing equipment have made Russian coal less attractive to foreign buyers.

"Russian coal is potentially the cheapest coal in the world, but because the coal preparation equipment is so bad it is also potentially the most expensive coal," said Mr Igor Shelechkov, a coal trader with the British-Russian company Promtrans trading, who estimated that between 1991 and 1992 the price of Russian coal dropped by almost a third on world markets, while exports fell from 25m tonnes to 15m tonnes.

Local leaders in the Kuzbass hope that foreign investment will provide one solution to the investment problems. But though some Western entrepreneurs have attempted to buy into local mines, the results so far have not been encouraging – a pioneering Anglo-Soviet venture which invested in a Kuzbass coal mine two years ago, for example, was largely abandoned after it became bogged down in bitter recriminations of financial scams.

"The problem is that investing in a Russian mine would require huge sums of money, with very little return for many years," added Mr Shelechkov. And with Russia's political situation remaining so volatile, irrespective of the "fantasy land" economics, these seem to be risks that most international mining companies would prefer not to take.

Espy finds emergency funding for $700m of food aid for Russia

By Laurie Morse in Chicago

MR MIKE Espy, the US agriculture secretary, juggled his budget over the weekend and found emergency funding that will allow $700m worth of in food aid to be shipped to Russia.

The aid, part of a $900m food package promised by US President Bill Clinton to Russia at the Vancouver summit meeting, had been stalled by a dispute over freight costs. Mr. Espy, after meeting with a delegation of Russian officials in Washington last week, agreed to pay the freight differential between foreign flag ships and much higher-cost US flag vessels. US law requires that 75 per cent of US food aid be shipped in US registered vessels.

The compromise will divert an estimated $385m from other areas of the US Department of Agriculture's budget and will allow Russia to pay only the world market rates for freight. It will also appease the US maritime unions, which have a strong political base in Washington.

As a result, Russia has agreed to take the $700m in concessionary loans under the Clinton package. Of the total, about $500m will be used to purchase commodities and the remainder of about $200m will be used pay for shipping.

Russian grain buyers have agreed to purchase $227.5m worth of US maize, $105m worth of soyabean meal, $66.5m worth of butter, $56m worth of wheat, $40m worth of vegetable oils, peanuts, poultry, and rice and $5m worth of sugar.

Some $54.4m worth of the butter and $12m worth of the wheat requirements will come from donation programmes rather than loans, the USDA said.

US commodity traders said yesterday that the amounts of *commodities involved in the* package had been anticipated in the market and that the news had failed to rally grain prices at the Chicago Board of Trade, the world's biggest agricultural futures market. The traders have already turned their attention to the fields of the midwest, where new-crop wheat is flourishing and maize plantings, although running behind schedule, are benefitting from a plentiful supply of moisture. Soyabean prices in Chicago were under pressure from rumours of a larger crop in Brazil.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,700 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.40 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.35-0.45 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.60-15.15 (14.70-15.30).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-140 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.20-2.25 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 28-41 (31-43).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.45-1.55 (same).

URANIUM: Nuexco exchange value, $ per lb. U_3O_8, 7.45 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+6,875	to 1,781,500
Copper	+3,950	to 392,325
Lead	+1,400	to 249,300
Nickel	+1,512	to 89,910
Zinc	-5,125	to 636,800
Tin	-195	to 20,350

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD was fixed at a fresh nine-month high of $356.15 a troy ounce on the London bullion market in the afternoon. After a quiet morning, the market rebounded when US investment funds took advantage of a weaker US dollar to by gold on Comex. However, profit taking emerged, and London closed at $354.70, down $1.05. At midday Comex prices were mixed. "The markets are overbought. We took them as high as they could go before bumping into resistance," said one New York analyst. COPPER trading was erratic on the LME, with the market falling to fresh session lows in the afternoon before recovering some of the losses. Dealers said losses in New York were instrumental in pushing three-month metal below $1,850 a tonne against a background of poor US economic leading indicators data. Comex copper futures touched lifetime lows mid-morning. London's robusta COFFEE futures finished with losses of up to $17 a tonne as prices in New York arabica futures tumbled on widespread profit taking. The New York trade was expecting a decrease in US certified stocks, which increased by about 15,000 bags.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.46-6.55	-0.06
Brent Blend (dated)	$18.89-8.93	-0.03
Brent Blend (Jun)	$19.11-9.15	-0.03
W.T.I (1 pm est)	$20.47-0.51u	-0.06
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$213-215	
Gas Oil	$183-184	
Heavy Fuel Oil	$77-78	-0.5
Naphtha	$184-185	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$354.70	-1.05
Silver (per troy oz)♣	427.5c	-8.0
Platinum (per troy oz)	$377.0	-8.5
Palladium (per troy oz)	$115.75	-3.6
Copper (US Producer)	89.0c	+0.5
Lead (US Producer)	34.89c	+1.13
Tin (Kuala Lumpur market)	14.09r	-0.02
Tin (New York)	256.5c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	137.48p	+2.00*
Sheep (live weight)†♣	134.28p	-2.50*
Pigs (live weight)†	87.98p	-1.26*
London daily sugar (raw)	$304.20	-9.9
London daily sugar (white)	$298.0	-8.0
Tate and Lyle export price	£305.50	-7.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£164.5	
Wheat (US Dark Northern)	Unq	
Rubber (spot)¶	56.50p	
Rubber (Jun)¶	56.75p	
Rubber (KL RSS No 1 May)	210.0m	
Coconut oil (Philippines)§	$402.5y	-5.0
Palm Oil (Malaysian)§	$377.5u	
Copra (Philippines)§	$297.5	-2.5
Soyabeans (US)	£178.0z	
Cotton "A" index	59.90c	-0.75
Wooltops (64s Super)	338p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug u-Jun. z-Apr/May v-Jun ¶London physical. §CIF Rotterdam. ‡ Bullion market close. m-Malaysian cents/kg. #Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX ($ per tonne)

White	Close	Previous	High/Low
Aug	302.90	313.00	308.00 302.10
Oct	294.00	299.90	294.50 290.00
Mar	292.70		292.00 288.50

White 1196 (362) Paris- White (FFr per tonne): Aug 1619.99 Oct 1568.79

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jun	19.14	19.15	19.25 19.10
Jul	19.14	19.14	19.24 19.10
Aug	19.18	19.18	19.29 19.15
Sep	19.23	19.23	19.30 19.23
Oct	19.28	19.24	19.33 19.24
Nov	19.27	19.27	19.32 19.25
Dec	19.26	19.23	19.33 19.26
IPE Index	19.18	19.00	

Turnover 18674 (30715)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
May	179.75	180.25	183.50 179.25
Jun	177.25	177.50	180.00 177.00
Jul	177.00	176.75	178.75 178.50
Aug	178.25	177.75	179.75 177.75
Sep	179.00	178.50	180.50 179.00
Oct	182.25	181.75	182.25
Nov	183.50	183.75	183.50
Dec	185.25	185.25	185.25

Turnover 15417 (24863) lots of 100 tonnes

JUTE

C and F Dundee: BTC $345, BWC $370, BTD $316, BWD $335, C and F Antwerp: BTC $330, BWD $330, BTD $305, BWD $305.

COTTON

Liverpool- Spot and shipment sales amounted to 176 tonnes for the week ended 30 April, against nil in the previous week. Improved demand brought moderate purchases mainly in CIS descriptions. West African and American growths made some headway.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	682	681	685 685
Jul	681	684	686 680
Sep	694	698	699 694
Dec	715	718	716 715
Mar	733	736	736 733
May	748	750	747
Sep	776	777	778
Dec	798		798 797
Mar	820	822	820

Turnover: 3750 (9944) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Apr 30 718.98 (719.38) 10 day average for May 04 717.66 (718.63)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
May	890	897	905 880
Jul	889	904	908 888
Sep	892	904	906 890
Nov	904	914	914 902
Jan	911	917	917 912

Turnover: 2689 (5076) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Apr 30: Comp. daily 55.35 (54.10) 15 day average 51.93 (51.20)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
May	45.0	47.0	45.0

Turnover 127 (91) lots of 20 tonnes.

SOYABEAN – London FOX £/tonne

	Close	Previous	High/Low
Jun	-	-	-

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
May	1540	1517	1545 1530
Jun	1435	1416	1435 1420
Jul	1300	1284	1304 1290
Oct	1390	1380	1390
BFI	1557	1554	

Turnover 411 (210)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
May	144.25		144.25 143.40
Jun	145.10		145.10 144.70
Nov	110.80	110.90	110.75 110.50
Jan	113.50		113.50
Mar	116.00		116.00
May	118.75		118.75
Barley	**Close**	**Previous**	**High/Low**
May	138.25	138.75	138.25

Turnover: Wheat 107 (5), Barley 15 (11). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	113.5	113.0	113.0

Turnover23 (11) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,684 lots
Cash	1126.5-7.5	1114.5-15.5		1125.5-4.0		
3 months	1149-9.5	1137-37.5	1149.5/1141	1147-7.5	1148-9	178,893 lots
Copper, Grade A (£ per tonne)						Total daily turnover 59,560 lots
Cash	1163.5-4.5	1189-90	1175/1173.5	1175-5.5		
3 months	1184-5	1209-10	1194.5/1180	1194.5-5.0	1190-1	181,300 lots
Lead (£ per tonne)						Total daily turnover 3,568 lots
Cash	284.5-5.5	281.5-82.5		283.75-4.25		
3 months	274.5-5.0	271-72	274.5-272	273.75-4.0	274-4.5	20,577 lots
Nickel ($ per tonne)						Total daily turnover 8,629 lots
Cash	[illegible]5-75	5835-45		5955-7		
3 months	6030-40	6000-10	6010/6050	6025-30	6020-5	48,213 lots
Tin ($ per tonne)						Total daily turnover 824 lots
Cash	5580-5	5545-55	5585	5565-70		
3 months	5620-2	5605-10	5645/5620	5625-30	5620-5	9,036 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,383 lots
Cash	1008.5-7.5	1007-08		1004.5-5.0		
3 months	1026-6.5	1025-26	1028/1024	1024-5	1026-7	65,605 lots

LME Closing £/$ rate: SPOT: 1.5715 3 months: 1.5619 6 months: 1.5510 9 months: 1.5409

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	354.50-354.90	
Opening	353.30-353.70	
Morning fix	353.40	224.823
Afternoon fix	356.15	226.243
Day's high	357.00-357.30	
Day's low	354.00-354.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.46	6 months	2.32
2 months	2.41	12 months	2.31
3 months	2.39		

Silver fix	p/troy oz	US cts equiv
Spot	271.35	427.40
3 months	275.30	430.45
6 months	279.55	434.05
12 months	287.95	441.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	353.00-356.00	224.00-227.00
Maple leaf	365.40-367.75	-
New Sovereign	83.00-86.00	53.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jun	Sep	Jun	Sep
1075	65	93	2	8
1100	44	74	6	14
1125	27	57	14	21
Copper (Grade A)	**Calls**		**Puts**	
1800	67	113	27	53
1850	41	87	50	78
1900	22	64	81	103
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
850	61	81	22	40
900	34	55	45	64
950	18	36	79	89
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
700	15	33	36	34
725	8	24	47	52
750	4	17	69	71
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850	71	60	2	6
1900	25	22	16	16
1950	8	11	39	44

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	355.7	355.3	358.3	354.3
Aug	357.1	356.7	359.5	355.8
Oct	358.5	358.1	360.5	357.4
Dec	359.9	359.5	362.5	358.5
Feb	361.4	361.0	363.1	360.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	377.3	386.6	381.5	370.5
Oct	375.8	385.8	380.5	372.0
Jan	375.0	385.0	381.0	373.0
Apr	374.7	384.7	378.5	378.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	426.6	429.0	432.0	422.5
Jun	427.8	430.2	433.0	427.0
Jul	429.2	431.7	436.0	423.0
Sep	432.0	434.5	439.0	426.0
Dec	436.1	438.6	443.0	429.0
Jan	436.6	439.1	0	0
Mar	440.5	443.0	448.0	435.0
May	443.4	445.7	447.5	443.5
Jul	446.7	449.2	452.0	448.5
Sep	450.1	452.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	81.15	82.65	82.85	81.00
Jun	81.40	83.05	82.25	81.35
Jul	81.70	83.40	83.50	81.30
Aug	82.05	83.75	0	0
Sep	82.40	84.10	84.20	82.30
Oct	82.70	84.40	0	0
Nov	83.05	84.75	84.70	84.70
Dec	83.35	85.10	85.00	83.50
Jan	83.60	85.35	85.35	85.00
Feb	83.85	85.60	85.60	85.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.48	20.57	20.66	20.41
Jul	20.65	20.72	20.80	20.60
Aug	20.77	20.82	20.90	20.71
Sep	20.82	20.88	20.96	20.78
Oct	20.83	20.87	20.91	20.81
Nov	20.82	20.88	20.90	20.80
Dec	20.84	20.88	20.92	20.81
Jan	20.81	20.85	20.86	20.84
Feb	20.80	20.86	20.86	20.80
Mar	20.80	20.80	20.80	20.80

HEATING OIL 42,000 US galls. cents/US galls

	Latest	Previous	High/Low	
Jun	55.85	55.88	56.45	55.80
Jul	56.35	56.40	56.90	56.25
Aug	56.90	57.00	57.50	56.90
Sep	57.90	58.00	58.30	57.90
Oct	58.75	58.95	59.15	58.75
Nov	59.85	59.85	59.88	59.80
Dec	60.75	60.70	61.10	60.70
Jan	61.15	61.15	61.15	61.15
Feb	61.15	60.90	61.15	61.15
Mar	59.70	59.50	59.70	59.70

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	901	900	903	901
Jul	961	938	938	930
Sep	959	961	963	958
Dec	997	1000	999	995
Mar	1027	1035	1029	1025
May	1053	1061	1056	1056
Jul	1070	1078	0	0
Sep	1095	1103	0	0
Dec	1128	1133	0	0
Mar	1161	1166	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	58.05	63.10	62.20	58.00
Jul	58.90	64.15	63.10	58.75
Sep	60.55	65.85	64.60	60.50
Dec	63.50	68.10	67.05	63.30
Mar	65.70	70.65	69.10	66.00
May	67.20	72.20	71.20	67.20
Jul	69.00	73.75	72.75	69.00
Sep	70.80	75.25	74.75	74.75

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.14	12.30	12.38	12.04
Oct	11.91	11.79	12.03	11.68
Mar	11.15	11.12	11.30	10.99
May	11.07	11.06	11.15	10.92
Jul	11.08	11.05	11.05	11.03

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	58.50	59.10	58.70	58.50
Jul	59.84	60.10	60.50	59.80
Oct	60.71	61.26	61.33	60.70
Dec	60.57	60.85	60.75	60.20
Mar	61.50	61.78	61.80	61.40
May	62.18	62.40	62.40	62.15
Jul	62.80	62.90	62.87	62.77
Oct	62.65	62.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	91.50	86.25	91.80	87.50
Jul	94.25	89.40	94.75	90.00
Sep	97.25	92.50	97.50	93.60
Nov	99.55	95.25	100.00	97.20
Jan	102.65	98.25	103.00	99.00
Mar	104.05	100.00	0	0
May	104.05	100.00	0	0
Jul	104.05	100.00	0	0
Sep	104.05	100.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 04	Apr.30	month ago	yr ago
1687.7	1671.9	1703.5	1582.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr.03	Apr.30	month ago	yr ago
Spot	120.73	120.86	121.76	118.47
Futures	124.80	125.28	124.55	119.28

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	589/6	591/6	591/4	589/0
Jul	591/2	594/0	593/2	590/4
Aug	591/4	594/2	593/6	591/0
Sep	590/2	593/6	593/0	590/0
Nov	592/6	595/2	595/4	592/2
Jan	599/4	603/4	602/0	599/0
Mar	606/0	610/0	608/0	605/4
May	609/4	612/4	611/0	609/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	20.81	20.92	20.95	20.75
Jul	21.01	21.15	21.17	20.97
Aug	21.12	21.26	21.26	21.10
Sep	21.24	21.37	21.37	21.24
Oct	21.35	21.47	21.48	21.35
Dec	21.58	21.71	21.74	21.55
Jan	21.66	21.80	21.78	21.64
Mar	21.87	21.98	21.95	21.78

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	187.1	188.8	187.2	185.9
Jul	187.6	187.7	187.8	186.7
Aug	187.7	188.1	187.9	187.2
Sep	188.0	188.6	188.4	187.6
Oct	188.3	188.7	188.4	187.8
Dec	189.2	189.7	189.6	188.7
Jan	189.5	190.0	0	0
Mar	190.6	190.6	190.6	188.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	227/6	228/6	229/2	227/0
Jul	231/0	233/2	233/2	230/2
Sep	235/2	237/2	237/2	234/4
Dec	239/2	241/6	241/2	238/6
Mar	245/6	249/2	247/2	245/2
May	249/6	252/4	252/0	249/6
Jul	253/4	256/0	254/4	253/0
Dec	249/0	251/0	251/0	248/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	350/4	347/4	351/4	345/0
Jul	291/2	296/6	296/4	291/0
Sep	294/4	300/0	299/4	293/4
Dec	305/4	310/4	310/0	305/2
Mar	310/4	316/0	315/0	310/4
Jul	310/0	315/4	313/4	310/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	76.875	77.225	77.300	76.775
Aug	73.925	73.925	74.250	73.750
Oct	74.300	74.400	74.650	74.150
Dec	74.550	74.700	74.900	74.400
Feb	74.025	74.075	74.500	74.000
Apr	74.975	75.075	75.200	74.875
Jun	72.150	72.400	72.550	72.150

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	52.550	52.600	53.300	52.100
Jul	51.050	51.025	51.400	50.600
Aug	48.575	48.575	48.925	48.275
Oct	45.150	45.075	45.325	44.850
Dec	46.150	46.050	46.350	46.000
Feb	45.125	45.000	45.200	44.900
Apr	42.900	42.700	43.050	42.700
Jun	48.150	47.600	48.500	48.150

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	42.625	44.100	44.250	42.600
Jul	43.175	44.675	45.000	42.975
Aug	41.025	42.675	42.800	40.975
Feb	41.600	41.625	41.600	40.900
Mar	40.825	41.000	0	40.500
May	41.250	41.500	0	41.250

LONDON STOCK EXCHANGE

US statistics upset London trading

By Terry Byland,
UK Stock Market Editor

A UK equity sector slow to return to work after the May Day holiday closed on a sour note yesterday following disappointing economic news from across the Atlantic. The sharp drop in the US index of leading economic indicators in March – prompting an admission of "cause for concern" from the White House press secretary – halted London's earlier advance, which had reflected firmness in bonds both in New York and London.

The fall in economic indicators, which checked an early gain on Wall Street where the Dow Average was unchanged when London closed, heightened worries that the recovery in the US economy might be losing momentum.

It was these worries, mirrored by signs that US investors might have been switching into gold, that upset the UK stock market last week. Some London strategists believe that Wall Street may be taking too sanguine a view of the economic recovery and could soon face a significant correction.

UK equities opened firmly, still responding to indications *that the domestic economy has* now turned the corner from recession towards recovery. Mr John Major, the UK prime minister, told parliament yesterday that statistics showing lower home repossessions added to the evidence that Britain is *heading towards recovery.*

In early trading, the FT-SE 100 Index added 9.8 points, but trading volume was woefully thin. This is the last week of a UK equity trading account extended over three weeks to cover the May Day break. With the City of London still taking a somewhat restrained view of the UK economic recovery and of Wall Street, traders were inclined to stay out of the market *until the new trading* account opens on Friday night.

The stock market soon lost its early peak of 2,822.9 on the Footsie but was content to mark time in positive territory until Wall Street opened. Firmness in New York bonds took the pressure off UK government stocks, and gains in gilts in turn helped equities.

London quickly dipped below overnight levels when Wall Street lost its initial gain, and although both markets steadied later, the FT-SE 100 ended the day 0.5 off at 2,812.6.

Most of the day's features focused around company news, either actual or expected. BAT Industries found buyers ahead of today's trading statement, and similar factors brought some support among the UK clearing banks.

The stock market's evident unwillingness to renew its advance at present is seen by some analysts as confirmation that it has settled into a trading range of FT-SE 2,750 to 2,850 for the near term. Retail, or genuine customer, interest in equities has remained satisfactory in spite of last week's shakeout in shares. Stock Exchange statistics show that retail business on Friday was worth £1.14bn, at the lower end of the range of the past six months.

Second line issues were slower than the Footsie-listed stocks to react yesterday to developments in New York. The FT-SE Mid 250 Index, although off the top, retained a net gain of 1.4 at 3,153.4.

Trading volume in non-Footsie stocks made up around 63 per cent of the day's Seaq total of 422.7m shares, indicating a return to a more typical daily market profile after a week which had seen the Footsie blue chips dominating trading.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	6,300	68½	-1½
Abbey National†	1,200	391	-6
Albert Fisher	630	64	
Allied-Lyons†	589	573	-8
Amstrad	639	34	-½
Anglian Water†	127	488	-6
Argos	694	397	-2
Argyll Group†	1,700	336	+1
Arjo Wiggins†	342	194	
Ass. Brit. Foods†	206	477	-5
Ass. Brit. Ports	59	359	
BAA†	1,000	746	-9
BAT Inds†	3,200	873	+17
BET	1,500	101	-3
BICC	531	363	-3
BOC†	469	695	-2
BP†	3,300	294	+1½
BPB Inds	475	234	-2
BT†	5,700	405½	+1
BTR†	1,700	597	-3
Bank of Scotland†	2,250	139	+½
Barclays†	3,200	430	-1
Bass†	1,000	534	-9
Blue Circle†	1,600	254	
Booker	559	379	
Boots†	2,200	451	-1
Bowater†	256	488	-2
Brit. Aerospace	1,800	328	+6
British Airways†	7,800	280	-1½
British Gas†	4,200	305½	-½
British Land	648	352	+4
British Steel†	4,000	94	+1
Bunzl	539	131	
Burmah Castrol	268	730	-2
Burton	303	70½	-½
Cable & Wire†	894	699	-6
Cadbury Schweppes†	1,300	463	+2
Calor Group	34	255	
Carlton Comms.†	577	718	+1
Coats Viyella†	130	237	-1
Comm. Union†	338	587	-4
Cookson	962	213	
Courtaulds†	895	562	+5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates

*First Dealings:		
Apr 19	May 10	May 24
Option Declarations:		
May 6	May 20	Jun 3
Last Dealings:		
May 7	May 21	Jun 4
Account Day:		
May 17	Jun 1	Jun 14

*New time dealings may take place from 8.30am two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2812.6 -0.5
FT-SE MID 250 3153.4 +1.4
FT-A ALL-SHARE 1389.12 +0.24

Chemicals switch hits ICI

CHEMICALS group Courtaulds stood out in a listless London market as traders suggested that investors were switching funds from ICI, which was further weakened by a withdrawal of US interest. Courtaulds rose 5 to 562p while ICI shed 16 to 1273p.

Initial speculation that Charterhouse Tilney, the stockbroker, was the driving force was denied by the house and it appeared that existing recommendations from Smith New Court might have held sway. Smith is a renowned bear of ICI but is a buyer of Courtaulds on the basis that the company's export market, which represents £400m of sales, is benefiting from currency factors and US economic recovery.

Finally, dealers said US brokers PaineWebber and C.J. Lawrence, both aggressive buyers, finally came off the bid yesterday. The two houses have been primarily responsible for driving ICI's price higher and there was a feeling that now the shares have hit $80, US investors may be happy to take profits.

Waters sold

Utilities attracted further selling across the board. Water shares were notably weak after Kleinwort Benson, the stockbroker, reaffirmed its bearish stance on the sector, in spite of steep falls over the past month.

Kleinwort said it remained concerned about the sector's performance, primarily because of the economic recovery but also because of the regulatory review, due to be published in 1994 and diminishing hopes of further UK interest rate cuts.

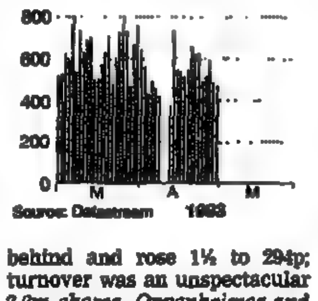
The water companies' preliminary results season starts on May 26, with figures from North West Water. Over the sector Kleinwort expects profits to rise by 5 per cent, earnings by 7.8 per cent and dividends by 8.8 per cent.

Of the water stocks in the FT-SE 100 Index, Thames was the worst performer, losing 7 at 500p, after 499p, following the death of the chairman, Sir Roy Watts. Anglian shed 6 to 488p, while Severn Trent dipped 5 to 480p and North West the same to 481p. Kleinwort told its clients to continue to switch into companies with strong financial ratios, such as Welsh Water and Southern.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Source: Datastream

BAT wanted

Buying ahead of first-quarter results pushed tobacco and insurance group **BAT Industries** higher yesterday. The shares, which have languished on fears of a US tobacco price war, rose 17 to 873p with 3.2m traded.

The market is looking for profits of around £350m, against £262m for the same period last year. Nevertheless, yesterday's rise represents a relatively small bounce. Although the move by US group Philip Morris to cut the price of its Marlboro brand is not expected to impact on BAT's figures to the end of March, BAT's shares have fallen from 1000p since the start of April. BAT is set to announce profits of around £350m, up from £262m for the same period last year. The results will include a currency gain of about £30m and reflect stronger performance by BAT's insurance subsidiaries.

Campari upset

Sports clothing company Campari plunged *after the* group astonished analysts by announcing its second profits warning in less than two *months. Specialists* had already scaled back estimates following the first warning in mid-March, which preceded figures just over a fortnight ago.

Broker BZW was said to be predicting £1.6m but Campari said yesterday that it would be *lucky to break even in the* coming year. The shares tumbled to 120p before recovering to close 45 lower at 133p.

An easier trend in sterling against the dollar helped the oil sector gain ground. Shell, still stimulated by last week's excellent figures from its US arm, Shell Oil, edged up 2 to 556p, on good turnover of 4.3m shares, with at least two of the big London-based investment houses, Smith New Court and SGST, pushing the shares.

However, BP were not left behind and rose 1½ to 294p; turnover was an unspectacular 3.3m shares. Oppenheimer and Co, one of the the most influential US brokers, upgraded BP to its buy list. Enterprise Oil improved 7 to 488p after relatively high turnover of 1.1m shares. Lasmo could make little headway, however, holding steady at 152p.

Aran Energy, on the other hand, raced up 3 to 30½p, the highest level since May 1991, after what was described as a very positive presentation in London to UK oil analysts. Morgan Stanley, the US investment bank, is believed to have included the stock in its Capital International Index as part of its Irish Portfolio.

Banks remained under pressure after a couple of recent bearish circulars from brokers. These focused on the weakness of the UK banking sector's Tier One capital ratios compared with those of the US banks, with the notable exceptions of *TSB and Abbey National. The* latter moved up 6 to 391p.

Royal Bank of Scotland, due to announce interims today, *edged up 3 to 267p. The market* is looking for the bank to top most analysts' forecasts, which range from around £50m to *£80m, compared with last* time's £48m.

Drug issues were stronger following US buying on Mon*day. However, Glaxo suffered* from worries, emanating from a research presentation by **Wellcome**, of a rival to its anti-migraine treatment. Analysts said the possibility of a competing product from Wellcome would be countered by new developments from Glaxo, but the latter lost 4½ to 590p and the former rose 4 to 739p.

Pearson advanced 10 to 447p on reports that it is interested in taking a stake in Hong Kong satellite television station STAR TV.

Reuters Holdings was 14 lower at 1245p as one securities house published a bearish piece of research.

Negative comment was again undermining food retail issues. Weekend press reports suggested that prices had been reduced because of competition from discount supermarket chains, confirming the bearish view on the sector held by several brokers. **Tesco** slipped 4½ to 217½p, **J. Sainsbury** 7 to 461p and **Kwik Save** 5 to 778p.

United Biscuits ebbed on profit-taking as the heralded bid failed to materialise. The shares dipped 5 to 421p.

A positive annual statement from **Unilever** helped the shares climb 4½ to 1087p. Tate *& Lyle* added 4 at 405p ahead of today's results. A disposal of some of its poultry interests lifted **Hillsdown Holdings** by 7 to 164p.

Interest in **Kingfisher** on optimism that its DIY business had experienced a good Bank Holiday was dampened on the back of a dull stores sector. The shares closed a penny adrift at 599p. **Storehouse**, which announced the buy-back of some property interests, rose a penny to 209p.

Negative press comment and rumours of less than praiseworthy views from one of the company's brokers weakened **Ladbroke Group**. The shares slipped a penny to 162p.

The Premier League championship lifted **Manchester United**. The shares leapt 23 at *one stage before settling 11* ahead at 463p. **Euro Disney** advanced 15 to 880p on hopes of a funding deal with Walt *Disney.*

Holiday group **Owners Abroad** weakened 7 to 100p as criticism continued over recent *broker downgrades. Some analysts* were said to be unhappy at the new figures following Owners previously bullish tone during its successful defence against the bid from Airtours.

A big seller of *Bass* undermined the shares, off 9 at 534p. However, **Grand Metropolitan** attracted support after its recent poor run and the shares added 5 to 415p.

Volex shares fell sharply to close 23 off at 388p after the chief executive left the company and joined Farnell Electronics. **Aerospace Engineering** raced up 4½ to 19p after selling Forward Industries to OMI International.

Confirmation that **British Aerospace** is setting up a joint venture in guided weapons with Matra helped BAe shares move up 6 to 328p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (138).
OTHER FIXED INTEREST (5) BREWERS (3) Boddington, Highland, Wetherspoon, BLDG MATLS (11) Blockleys, Blue Circle, Do 7¾pc Pf., Evered Bardon, Ibstock Johnsen, Kalon, Manders, Marley, RMC, Sharpe & Fisher, Tilon, BUSINESS SERVS (1) BNB, CHEMS (3) BTP, Hickson, ICI, CONGLOMERATES (3) AGA, Cannon St., Lonrho, CONTG & CONSTRCN (7) Ashtead, Barratt Dev., Maunders, McAlpine, Mowlem, Sindall, Wilson (C), ELECTRICALS (2) Delta, Wholesale Fttgs., ELECTRONICS (3) Computer People, Control Techs., INSTEM, ENG AERO (1) Br. Aerospace, ENG GEN (10) Aerospace Eng., Cardo, Clyde Blowers, FKI, Fife Indmar, Hall, Senior, TT, VSEL, Vosper, HEALTH & HSEHOLD (1) Kitty Little, HOTELS & LEIS (1) Manchester Utd., INSCE COMPOSITE (1) Topdanmark, INV TRUSTS (20) Baillie Gifford Japan, Drayton Eng. & Intl., English Natl Deld., Fleming Far Eastern, Flmg. Japanese, Do Wts., GT Japan, Gartmore Emrg. Pacific Wts., Gartmore Value Zero Pf., Govett Oriental, Hong Kong, JF Fledg. Japan, JF Pacific Wrt., Martin Currie Pac. Wts., Oriental Smlr Co's., RIT Cap. 3½pc Cv. '00, Second Cons., St David's Zero Pf., Templeton Emrg. Mkts. Wts., Turkey Tst., MEDIA (6) Aegis 9¾pc Pf., Central ITV, Intl. Business Comms., LWT 4.921875p Cv. Pf., MML, Pearson, MTL & MTL FORMING (1) Tinsley, MISC (5) Abbeycrest, Black Arrow, Headlam, Holders Tech., Walker Greenbank, MOTORS (3) Cowie, First Tech., Sanderson Murray E., OIL & GAS (3) Aran Energy, Gulfstream Res., Kingston, OTHER FINCL (4) Jupiter Tyndall, M & G, Perpetual, Provident Fincl., OTHER INDLS (2) Cookson, Elkem, PACKG, PAPER & PRINTG (6) API, Br. Polythene, Ensor-Gutzeit, Inlereurope, Rapola, PROP (6) Bradford, Cap. & Regional, Daejan, Ests. & Gen. 8pc Pf., Green, Molyneux, STORES (4) Courts, Dunhill, Kingfisher, Lloyds Chems. 7¼pc Pf., TEXTS (6) Alex. Workwear, Hse. of Lerose, Lamont, Parkland, Readicut, TRANSPORT (2) IoM Steam, Wah Kwong, MINES (20).

NEW LOWS (27).
AMERICANS (3) Amdahl, BellSouth, NYNEX, BREWERS (1) Fosters, CHEMS (2) Canning, Leigh Ints., CONTG & CONSTRCN (1) Amco, ELECTRONICS (1) Micro Focus, ENG GEN (1) Plasmec, HEALTH & HSEHOLD (2) Life Sciences, Mt. Labs., INSCE BROKERS (1) Steel Burrill J., INV TRUSTS (1) Pantheon Intl. Wts., MTL & MTL FORMING (1) Johnson & Firth, MISC (4) Erskine Hse. 7¼pc Pf., Pentland, Shanks & McEwan, Toye, OIL & GAS (3) Intl. Petrlm., Sunrise Energy, Triton Europe, PACKG, PAPER & PRINTG (1) Portals, PROP (1) Herring Baker H., STORES (1) T & S, TEXTS (2) Campari, Courtaulds, MINES (1) MIM

FINANCIAL TIMES EQUITY INDICES

	May 4	April 30	April 29	April 28	April 27	Year ago	* High	* Low
Ordinary share	2218.0	2221.3	2200.2	2208.3	2231.5	2147.1	2299.5	2124.7
Ord. div. yield	4.16	4.15	4.18	4.18	4.14	4.24	4.52	4.07
Earning yld % full	6.27	6.25	6.30	6.29	6.25	6.02	6.35	5.79
P/E ratio net	19.00	19.06	18.71	19.73	19.88	20.84	22.04	19.57
P/E ratio nil	18.49	18.54	18.40	18.43	18.55	19.38	20.30	18.25
Gold Mines	148.1	148.9	153.5	141.2	140.1	111.0	153.3	80.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2226.9	2226.1	2220.0	2227.6	2227.1	2227.2	2226.8	2222.6	2218.1	2229.7	2217.5

Volume	May 4	April 30	April 29	April 28	April 27	Year ago
SEAQ Bargains	27,971	28,385	27,031	29,870	28,857	41,075
Equity Turnover(£m)†	-	1140.3	1130.8	1308.3	1174.4	1329.5
Equity Bargains†	-	30,798	30,908	34,294	33,816	50,582
Shares traded (ml)†	-	495.4	487.8	595.4	517.9	619.8

† Excluding intra-market business and overseas turnover.

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LONDON SHARE SERVICE

BRITISH FUNDS

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

IT WAS a return to more familiar territory in the futures market yesterday as *the excitement of last week's* trading subsided and volumes were dictated by a lack of direction, writes Christopher Price.

Following Friday's strong close, the June Footsie contract opened slightly firmer at 2,824, reinforced by stronger gilts and a positive overnight Wall Street. However, it was not long before June ran into sellers and slipped back, hitting a morning low of 2,820. It then recovered, reaching 2,830 by lunchtime on some good *two-way business.*

A day's high of 2,834 was attained just prior to Wall Street opening, although the *lack of direction here*, too, contributed to June's slow drift downwards. It hit a low of 2,816 late in the session and closed at 2,819, ahead by 7 points from the cash market. Volume was 8,364 contracts.

Dealers said firmer after-hours' trading pointed to a higher opening this morning.

Traded options were also a quiet market. Total volume came to 17,113 contracts, compared with 26,640 previously.

Lonrho topped the stock options with 2,833 lots transacted. This included a buyer of 500 of the December 100 calls at 13p. Lucas Industries was second, with turnover reaching 1,068. There was a seller of 1,000 of the August 140 puts at 12p. Volume in Thames Water totalled 604 contracts.

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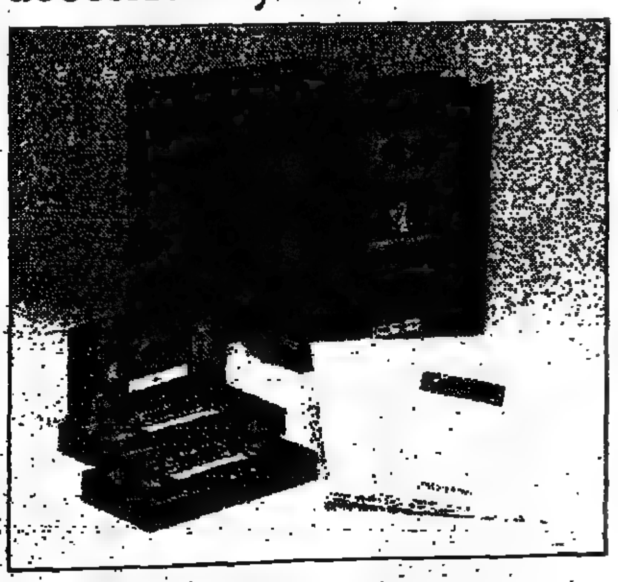

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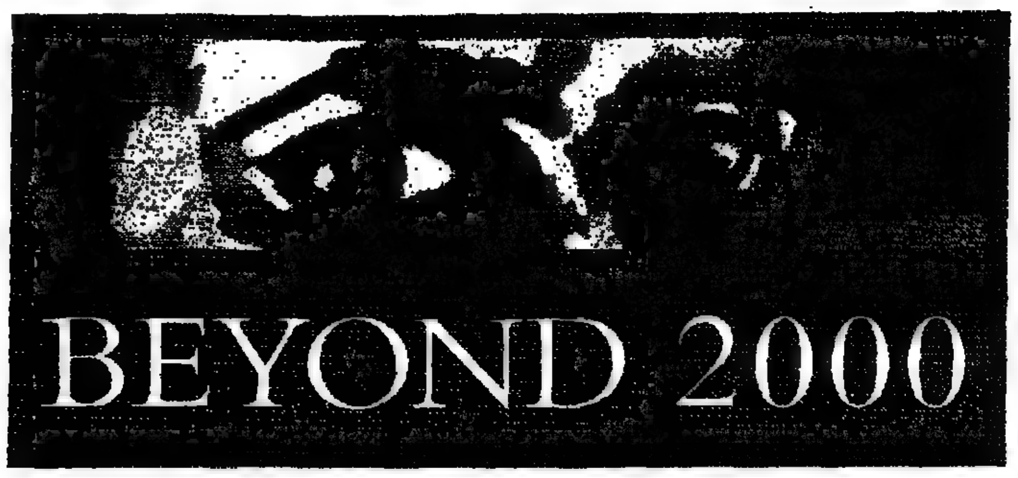

Lewis Platt – Hewlett Packard

Arno Penzias – AT&T

Akira Fujimasa – Toshiba

Nicholas Negroponte – The Media Laboratory, MIT

Craig Barrett – Intel

Iain Vallance – BT

Sung Kyou Park – Daewoo Telecom

John Landry – Lotus

Scott McNealy – Sun Microsystems

Carlo de Benedetti – Olivetti

Dennis Patrick – Time Warner Telecoms

Steven Dorfman – Hughes Space & Telecoms System

Bradley Holmes – Former US State Department

Dr James Martin – James Martin Insight

Prof Ken Sakamura – Tokyo University

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LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		18¾ xd	+1⅛	20⅞	15⅞	16,273	2.3
Allegheny & W	♥	508p	+15	571p	399p	284.0	3.7
Amdahl		309p	-9	591p	309p	347.0	2.0
Amer Cyanamid		34	-1	38⅝	31¾	3,065	3.1
Amer Express		17¼ xd	-⅝	19⅞	14⅞	8,484	3.6
Amer T & T		38⅛ xd	-⅜	40⅞	33⅛	48,042	2.3
Ameritech		48½	-¼	52⅝	46	21,235	4.8
BankAmerica		29⅞ xd	+⅛	30⅞	27⅞	10,262	3.0
Bankers NY		45⅞ xd	+1	51¼	42⅝	3,836	4.3
Bell Atlantic		33⅞	+⅞	38⅝	32⅝	14,340	5.1
BellSouth		33¼	-½	38⅞	33¼	16,425	5.3
Bethlehem Steel	♥	12⅝ xd	+⅞	13¾	10	1,154	-
Bowater		1350p xd	-17	1682p	1335p	489.2	1.9
CPC		27½ xd	+⅛	34⅝	26	4,165	2.9
Cadiz Land Inc	♥	83½p	-	115p	53p	-	-
California Engy		1358p	+16	1479p	1086p	247.2	-
Chase Manhattan		19½ xd	+¼	24½	17⅞	3,024	3.8
Chrysler		26⅞ xd	+⅞	28⅞	21¼	7,870	1.4
Citicorp		17⅝ xd	-	20⅛	13⅞	6,442	-
Colgate-Palm		38⅞ xd	-⅛	45⅝	35¼	6,077	2.0
Cont'l Bank		1549p	+47	1877p	1278p	1,565	2.4
Dana		31⅞ xd	+⅞	34⅞	29⅞	1,448	3.2
Data General		604p	-8	951p	593p	188.7	-
Decora Inds.	♥	125p	-	146p	109p	-	-
Dun & Brad		37½	-	42⅝	37¼	6,883	4.1
Eaton		57⅝	-¼	59⅝	50⅝	1,989	2.4
Echlin		15⅞ xd	-⅛	18⅞	15⅞	864.8	2.9
FPL		23⅞ xd	-	27⅝	23⅞	4,349	6.5
Ford Motor		35⅝ xd	+⅞	38⅛	28⅞	17,388	1.8
Gen Elect		57⅞ xd	-½	62⅞	53⅞	49,427	2.8
General Host	♥	585p	-	723p	566p	-	3.8
Gillette		33⅝ xd	+⅞	42⅝	31⅞	7,289	1.6
Hasbro		20⅞	-	20⅞	20⅞	1,819	0.7
Honeywell		22⅞ xd	-⅛	24⅞	20⅞	3,049	2.5
Houston Inds		29⅝	-	33¼	29¼	3,804	6.4
Ingersoll-Rand		21 xd	-⅛	23	19⅜	2,193	2.1
Lockheed		40	+⅛	42⅝	35⅝	2,454	3.3
Lowe's	h	1922p	+47	2339p	1573p	1,402	0.9
Merrill Lynch		45 xd	+⅞	50⅞	37	4,834	1.7
Morgan (JP)		42⅞ xd	+⅛	46½	38⅝	8,227	3.5
Morris (Philip)		30¼ xd	-⅛	52⅝	28⅞	27,825	3.6
NYNEX		53½	-¼	64⅛	53½	11,050	5.5
Pall		11⅝ xd	-⅛	18	11	1,348	1.7
Pennzoil		39⅞ xd	-	40⅝	31⅞	1,827	4.7
Quaker Oats		41⅛ xd	-⅛	48⅛	39⅞	3,001	2.9
Rockwell		20⅞ xd	-⅛	22⅞	18⅞	4,909	2.8
Rep NY		31¼ xd	-¼	37⅞	29¾	1,635	2.2
Sears, Roebuck		33⅝ xd	-⅛	37⅞	28⅞	11,810	3.0
Sthwestern Bell		49¼	+⅝	52⅞	46⅞	14,768	3.7
Sun Co.		18¼ xd	+⅞	21⅞	14¼	1,780	8.8
Tenneco		28⅝ xd	-⅛	33¼	25⅝	5,061	3.4
Texaco		40¼ xd	-⅛	44¼	37⅜	10,414	5.0
Time Warner	♯	21 xd	+⅛	25⅞	18⅝	7,801	0.8
Unitab	♥	405p	-	430p	350p	184.4	-
US West		27⅝	-	30⅞	24⅞	11,213	5.0
Varity		2152p	-65	2250p	1695p	690.7	-
Waste Manage		20⅞ xd	-⅛	27⅛	19⅞	9,983	1.6
Whirlpool		3484p xd	+28	3730p	2824p	2,442	2.7
Woolworth	♥	19⅝	+⅛	21⅞	16⅞	2,873	3.6

CANADIANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy	♥	2p	-	2p	2p	-	-
Amer Barrick		1356p	-18	1374p	830½p	3,882	0.6
Bk Montreal	h	12⅝	+⅛	13¼	11⅞	3,156	4.4
Bk Nova Scot		1280p	+43	1428p	1111p	2,836	4.4
BC Gas	♥	737p	-	847p	723p	-	4.1
BCE		22⅝	+⅛	26⅞	20⅝	6,776	6.0
Bracan	♥	537p	+12	721p	464p	442.9	10.2
Brakmator	♥	11½p	+½	16½p	10p	7.31	-
[illegible]		[illegible]					

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Travis Perkins		[illegible]						
Tudor		[illegible]						
Unigroup		[illegible]						
Waterhouse		[illegible]						
Wickes		[illegible]						
Wolseley		[illegible]						

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by Hoblcod Securities Limited. For a guide only, see guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

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MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Glencar Expl ‡‡		6	—	8	6	1.40	-
Greenwich Res		10¼	-1	10½	5	11.8	-
Hemlo Gold C$		6½	+⅛	6½	2½	532.2	1.7
Iberia West ‡‡		46	—	57	31	24.5	-
Kinmare		12	+¼	13½	6	11.5	-
Matinga Res		[illegible]	-1	22½	14	1.64	-
Mineo Res ‡‡		30	-5	37	25	4.02	-
5pc Ln Notes		30¼	+2½	34	25	6.15	-
Oryx Gold		[illegible]	—	71	47	-	-
‡‡Ovoca Res ‡‡		3½	—	3½	3½	0.24	-
RTZ		646	-4	700	628	6,478	4.0
Visage		5½	—	5¾	2¾	3.66	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ■ "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis.
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	147.7	149.0	158.9	+0.50	0.06
AIB Grofund Equity	5	201.0	203.2xd	215.7	-2.70	1.29
AIB Grofund Euro	5	159.6	161.3	163.8	-2.00	0.49
AIB Grofund Ext Income	3	100.3	102.7	105.9	—	1.97
AIB Grofund Gilt	3	70.67	71.02	73.05	+0.25	5.17
AIB Grofund Japan	5	164.9	164.4	172.1	+0.20	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	413.8	415.3xd	442.5	+2.3	2.37
General Acc	5	453.0	458.3	485.5	+2.5	2.37
UK Growth Acc	6	303.5	307.9	327.6	+1.9	2.74
UK Growth Inc	6	215.0	218.0xd	232.0	+1.4	2.74
Higher Inc Acc	6	553.1	561.3	597.2	+2.8	3.89
Higher Inc Inc	6	335.6	340.9	362.6	+1.8	3.69
Gilt/Fxd Int Acc	5½	172.9	172.9	182.8	+0.7	8.23
Gilt/Fxd Int Inc	5½	90.60	90.60	95.67	+0.37	8.23
Nth America	6	232.8	238.3xd	253.6	+3.6	0.60
Far East	6	280.7	285.4	304.7	-2.8	0.14
Europe	6	213.3	216.8	230.7	+2.3	1.09
Brit Excell	6	62.53	63.42	67.47	+0.45	2.89
Brit Friends Acc	6	64.83	65.27	71.78	+0.43	4.83
Brit Friends Inc	6	65.81	66.92	71.20	+0.37	4.80
Global Opps	6	67.20	68.17	71.75	+0.61	0.09
Balanced Acc	6	49.42	49.79	41.78	+0.23	2.98
Balanced Inc	6	49.42	48.79	49.79	+0.23	2.98
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Sec. & Fixed Int	6	129.5	133.5	136.5	+0.3	6.04
High Inc Equity	6	146.7	149.6xd	159.2	+1.1	5.60
Worldwide Bond	4	258.1	256.1	271.5	-1.3	4.48
American Growth	6	256.7	264.3	285.3	+0.3	.71
Asian Pacific	6	217.4	222.1	236.2	-1.4	.47
Assets & Earnings	6	219.4	221.7	236.1	-1.1	2.38
Capital Reserve Acc	0	125.5	125.5	125.5		5.22

[illegible]

Hub Investment Managers Ltd (1400)F						
48 Court St, Haddington, E. Lothian 062-082 3087						
Hub Joint Investors	0	1153.4	1153.45	1153.8	—	4.4
Midlothian Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242						
Midlothian General	0	124.4	124.4xd	128.5	—	4.50

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Life Tst Mngmt Ltd (0730)H

State Street Unit Trust Mngmt Ltd (1200)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Funds in Court*

Govett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd ‡

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Apr 21	295.6	308.0		-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Apr 28	£224.20	231.37	-1.15	-
Equity Apr 28	£252.51	281.32	+0.19	-
International Apr 28	£35.66	37.65	-0.27	-
Intl Bond Apr 28	£18.28	19.31	-0.23	-
Fixed Int Apr 28	£122.12	123.59	-0.11	-
Index Linked Apr 28	£89.50	90.93	-0.30	-
Property Apr 28	£109.20	115.39		-
Cash Apr 28	£32.24	33.24	+0.04	-
Pre-Linked Retirement Plan				
Managed Apr 28	525.40	547.30	-9.60	-
Cash Apr 28	301.90	314.00	-0.30	-
Prudential Pensions Investment Account				
Pens Mngd	212.80	223.70	+1.10	-
Pens Mngd A	92.20	106.20	+3.50	-
Pens UK Eq	361.90	383.70	+2.50	-
Pens Intl	264.40	283.30	-0.60	-
Pens Global Eqty	120.30	126.70	+0.70	-
Pens Fixed	272.00	287.20	+0.10	-
Pens Index Lk	224.90	237.40	-0.20	-
Pens Property	69.00	72.70		-
Pens Cash	196.80	207.30	+0.10	-
Money Purchase Plan				
Discretionary (z)	121.60	122.80	+0.60	-
Equity (z)	124.40	123.60	+1.10	-
International (z)	118.60	126.40	+0.40	-
Global Equity (z)	122.20	131.10	+0.50	-
Intl Bond Feb (z)	135.10	142.20		-
Fixed Interest (z)	135.50	142.50	+0.40	-
Index Linked (z)	125.70	132.30	+0.20	-
Property Feb (z)	98.70	103.60		-
Cash (z)	113.60	119.30	+0.10	-
Prudential Individual Life Funds				
1 Stephen St, London W1P 2AP 071-548 3287				
Series 1 Life Funds				
Managed	681.7	717.6	+2.8	-
Equity	1339.6	1410.2	+7.3	-
Fixed Interest	554.4	583.6	+0.5	-
Property	393.2	413.9	+0.1	-
Cash	362.5	381.6	+0.2	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable - Contd.				
Others				
Capital Guarantee Bond	97.9	103.1	+0.20	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	219.3	230.8	+0.5	-
UK Equity	212.0	223.1	-0.5	-
International	219.0	231.1	+1.2	-
American	225.3	237.1	+1.9	-
European	205.9	216.8	+1.8	-
Japan	335.5	348.9	-1.0	-
Pacific	300.4	316.3	-0.8	-
Technology	292.5	297.4	-0.1	-
Fixed Interest	166.0	174.7	+0.1	-
Indexed Linked	149.9	159.7		-
Foreign Bond/Currency	212.0	223.2	-0.7	-
Cash	171.620	180.863	+0.093	-
Ethical	116.7	122.8		-
Pens Mixed	625.9	659.8	+2.2	-
Pens UK Equity	710.9	748.3	+2.9	-
Pens International	670.5	705.8	+4.4	-
Pens American	225.5	237.3	+3.4	-
Pens European	237.0	249.4	+1.5	-
Pens Japan	279.9	294.6	+1.6	-
Pens Pacific	336.5	354.2	-2.2	-
Pens Fixed Interest	330.7	348.1	+1.1	-
Pens Index Linked	184.3	194.0	+0.1	-
Pens Cash	273.50	287.421	-0.158	-
Pens Property	216.98	228.38		-
Pens Ethical	148.6	156.4	-0.2	-
Edinburgh Inv.	328.9	344.1		0
Baillie Gifford Japan	229.3	241.4	+1.3	-
Scottish Life Investments				
19 St Andrew Square, Edinburgh 031-225 2211				
Property	173.4	182.6	+0.1	-
UK Equity	314.4	331.1	+0.9	-
American	219.2	230.8	+0.6	-
Pacific	295.2	310.9	-1.0	-
European	358.8	417.6	+3.8	-
International	265.7	279.7	+0.6	-
Fixed Interest	225.0	236.9	+1.9	-
Index Linked	185.6	195.7	-0.1	-
Deposit	183.6	193.3	+0.1	-
Managed	250.3	263.6	+0.7	-
Worldwide	106.8	112.3	+0.4	-
With Profits Pens	83.6	88.1	+0.1	-
Pens. Property	201.6	212.3	+0.2	-
Pens. UK Equity	372.4	392.1	+1.4	-

Sun Alliance Group - Contd.

CMI Insurance Co Ltd

Target International Group

Guinness Flight Fd Mngrs - Contd.

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1600)F

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Asian Selection Funds				
China	9.608	10.112	—	0.0
Hong Kong	$24.729	30.241	—	0.4
Indonesia	$9.288	9.787	—	0.0
Korea	$11.092	11.676	—	0.0
Malaysia	$17.838	18.778	—	0.0
Philippines	$18.088	19.600	—	0.0
Singapore	$12.313	12.961	—	0.0
Thailand	$19.891	20.875	—	0.0
South East Asia	$24.689	25.988	—	0.0
US Dollar Liquidity	$9.561	10.029	—	0.0
Cater Allen Investment Management (CI)				
CA Gilt Income	5.11	6.38	—	15.67
CA Equity Gwth	4.85	4.95	+0.05	2.22
Citibank (CI) Ltd "Citifunds"				
Short term Investment Funds				
Irish £ Apr 29	133.8706		—	—
Equity Funds				
Japan Equity Apr 29	59.7900		—	—
US Em Gth May 4	$19.7876		—	—
US Em Tech May 4	$22.6812		—	—
Citicorp May 4	$30.4005		—	—
Bond Funds				
JYB May 4	¥90709.470		—	—
Special Assets Apr 1	FF11278.473		—	—
Citibank N.A.				
Libra 2000 Feb 26	$89.82		—	—
Libra 2000 Intl Feb 26	$89.82		—	—
Coutts & Co (Jersey) Fund Managers Ltd				
Coutts Money Market Fund Ltd				
Dollar Class	$38.4039			—
Sterling Class	227.5148			—
D-Mark Class	DM86.0169			—
Japanese Yen Class	Y8036.4657			—

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
CMI Asset Management (Luxembourg) SA						
208 route d'Arlon, L-1150 Lux 010 352 458025						
CMI Managed Portfolio Investment Company (u)						
Safeguard Portfolio F	£		1.215	1.284	+0.011	—
Growth Portfolio F	£		1.090	1.161	+0.011	—
Enterprise Portfolio F	£		1.049	1.108	+0.008	—
CMI Global Network Fund (u)						
Australian Equity	A$		12.947		+0.081	—
Belgian Equity	DM		21.111		+0.017	—
Canadian Equity	C$		10.016		-0.029	—
SE Asia Equity	$		12.812		+0.055	0.95
French Equity	FF		39.806		+0.034	0.94
German Equity	DM		17.993		-0.017	—
Dutch Equity	Fls		777		-3	0.01
Irish Equity	£		4.987		-0.067	—
Italian Equity	L		7840		+76	—
Japanese Equity	Y		1377			—
Nordic Equity	SKr		43.873		+0.225	—
Swiss Equity	SFr		10.411		-0.125	—
UK Equity	£		8.464		-0.002	1.11
US Equity	$		13.888		+0.039	0.05
Japan Index Tracking	Y		924		-10	—
UK Eqty Index Tracking	£		8.132		+0.014	2.23
US Eqty Index Tracking	$		12.384		+0.055	1.18
German Bond	DM		23.211		+0.277	8.21
Japanese Bond	Y		1649		—	4.29
Swiss Bond	SFr		22.313		-0.091	4.37
UK Bond	£		8.217		-0.049	8.10
US Bond	$		11.659		+0.027	8.24
Stlg Currency Reserve	£		5.0325		—	7.16
US Dlr Currency Reserve	$		10.019		-0.012	2.05
Commercial Union Luxembourg SA (u)						
41 Ave de la Gare L-1611 010 352 402820251						
Commercial Union Privilege Portfolio						
Equity Funds						
Monthly Income	£		1.6711	1.685	—	6.9
Private Client Mgd	£		1.1655	1.2390	—	—
Far Eastern Gwth	$		2.0233	2.1524		—
American Gwth	$		2.2874	2.4321		—
European Gwth	Ecu		1.8220	1.9383		—
Japanese Gwth	Y		147	156	-1	—
UK Growth	£		1.0788	1.147		—
Italian Gwth	L		1599	1691	+17	—

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar softer on US indicators

THE DOLLAR remained soft against the D-Mark in European trading yesterday following another set of weak indicators on the US economy, *writes James Blitz.*

In Monday's US trading, the dollar weakened against the German currency after the National Association of Purchasing managers reported that its index, which measures manufacturing activity, had slipped below 50 per cent in April for the first time since September 1992.

The gloom on the US economy was compounded yesterday by news that the leading indicators had dropped by 1.0 per cent, the sharpest fall since 1990. The dollar bottomed out at DM1.5690 before recovering a little to close at DM1.5710, more than 1½ pfennigs down on the day.

In Europe, most currencies remained relatively strong against the D-Mark amid continuing signs that the German economic situation was worsening.

Western Germany's industrial production figures for March dropped 0.6 per cent, while February's decline was revised down to 1.3 per cent from 1.0 per cent. Manufacturing output also dropped 1.0 per cent in March, adding to speculation that the Bundesbank will have to cut interest rates aggressively to stimulate the economy.

This data helped the French franc peak at FFr3.3670, its highest level since the autumn of last year.It later fell back to close at FFr3.373 from a previous FFr3.370.

At the same time, the spread between 3 month French francs and 3 month D-Marks continued to narrow, and was yesterday at only 9 basis points. This is a strong sign of the market's confidence in the franc and its belief that the French currency needs to carry no premium against devaluation.

At the same time, both the Belgian franc and Dutch guilder performed strongly relative to the D-Mark, indicating that investors prefer to invest in these currencies instead of the D-Mark. Both currencies were some 33 basis points above the D-Mark inside the exchange rate mechanism grid, having been some 29 basis points higher before the weekend.

One strong exception to this trend was sterling, which drifted down against the D-Mark throughout the day.

In part, this may have been due to new uncertainty about whether the UK would ratify the Maastricht treaty on European Monetary Union. Yesterday, the speaker of the House of Commons created a possibility for a vote to be held on the Maastricht ratification bill which, if it goes ahead, will almost certainly result in the defeat of the UK government.

There was some speculation in money markets that the UK might cut base rates again later this month. UK newspapers speculated at the weekend that the next unemployment figures in the UK could show a strong rise. The pound closed at DM2.4675, 2¼ pfennigs down on the day.

£ IN NEW YORK

May 4	Latest	Previous Close
£ Spot	1.5700 - 1.5710	1.5660 - 1.5670
1 month	0.40 - 0.39pm	0.43 - 0.41pm
3 months	1.17 - 1.15pm	1.16 - 1.14pm
12 months	4.27 - 4.20pm	4.30 - 4.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 4	Previous
8.30 am	80.7	80.9
9.00 am	80.6	80.8
10.00 am	80.6	[illegible]
11.00 am	80.7	[illegible]
Noon	80.7	81.0
1.00 pm	80.7	81.0
2.00 pm	80.6	81.0
3.00 pm	80.6	81.1
4.00 pm	80.6	81.0

CURRENCY RATES

May 4	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	N/A	0.786874
US Dollar	3.00	[illegible]	1.24169
Canadian $	5.37	1.60207	1.58067
Austrian Sch	8.75	15.8852	13.7517
Belgian Franc	6.75	46.4272	40.1610
Danish Krone	9.25	8.68192	7.50476
D-Mark	7.25	2.25660	1.95454
Dutch Guilder	6.75	2.53640	2.19518
French Franc	[illegible]	7.61082	6.58529
Italian Lira	11.00	2106.10	1823.47
Japanese Yen	2.50	N/A	137.082
Norway Krone	-	9.54065	8.26591
Spanish Peseta	-	164.681	142.968
Swedish Krona	11.50	10.4214	9.07611
Swiss Franc	5.00	2.04021	1.76382
Greek Drach	19	N/A	286.789
Irish Punt	[illegible]	[illegible]	[illegible]

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Irish Punt	0.809996	0.802020	-0.98	1.75	49
Belgian Franc	40.2802	40.1810	-0.25	0.99	16
Dutch Guilder	2.20045	2.19518	-0.24	0.99	16
D-Mark	1.95294	1.95454	0.08	0.66	0
Portuguese Escudo	180.624	[illegible]	0.30	0.44	-5
French Franc	6.54988	6.58529	0.54	0.20	[illegible]
Spanish Peseta	142.150	142.968	0.58	0.17	-10
Danish Krone	7.44934	7.50476	0.74	0.00	-30

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5680 - 1.5800	1.5700 - 1.5710	0.41-0.39cpm	3.06	1.18-1.15pm	2.97
Canada	1.9815 - 2.0040	1.9850 - 1.9960	0.26-0.15cpm	1.23	0.48-0.37pm	0.73
Netherlands	2.7650 - 2.7900	2.7675 - 2.7775	[illegible]	-1.89	[illegible]	-1.26
Belgium	50.75 - 51.10	50.75 - 50.85	5-10cdis	-1.77	16-23dis	-1.54
Denmark	9.4675 - 9.5400	9.4700 - 9.4800	[illegible]	-4.09	[illegible]	-3.85
Ireland	1.0130 - 1.0180	1.0120 - 1.0130	0.19-0.22cdis	-2.43	0.43-0.54dis	-2.03
Germany	2.4625 - 2.4825	2.4650 - 2.4700	[illegible]	-2.13	[illegible]	-1.82
Portugal	226.50 - 230.50	228.50 - 229.50	249-285cdis	-13.47	640-684dis	-11.66
Spain	180.25 - 182.50	[illegible]	155-181cdis	-11.17	367-402dis	-8.82
Italy	[illegible]	2303.00 - 2304.00	9-12liredis	[illegible]	[illegible]	[illegible]

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.570	2.467	173.2	8.320	2.225	2.772	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.637	1	1.571	110.3	5.299	1.417	1.766	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.405	0.636	1	70.21	3.373	0.902	1.124	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	5.774	9.065	14.24	1000.	48.04	12.85	16.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.202	1.887	2.965	208.2	10.	2.674	3.332	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.449	0.706	1.109	77.84	[illegible]	1	1.246	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.361	0.566	0.890	62.48	3.001	0.803	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.434	0.682	1.071	75.21	3.613	0.966	1.204	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.501	0.787	1.237	86.82	4.170	1.115	1.389	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.969	[illegible]	4.858	340.9	16.38	4.380	5.457	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.554	0.870	1.367	95.96	4.609	1.233	1.536	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.791	1.242	1.952	137.0	6.582	1.760	2.193	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
116	1.33	-	-	0.11	0.75	-
117	0.56	-	-	0.34	1.16	-
118	0.16	0.74	-	0.93	[illegible]	-
119	0.03	0.42	-	-	-	-
120	0.01	0.20	-	-	-	-
Open int	167,667	94,698	19,126	153,179	87,326	10,496

Estimated volume 33,091 † Total Open Interest 551,303

† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MONEY MARKETS

Bullishness on sterling

STERLING futures were slightly higher yesterday amid fledgling expectations of another cut in UK interest rates at some point later this year, *writes James Blitz.*

In the last few weeks, nobody in the sterling market has been betting too strongly one way or the other on UK base rate moves.

However, there was some newspaper speculation at the weekend that the next figures for UK unemployment might show a net rise in contrast to the drops seen in the last two months, forcing the UK authorities to look for new ways to stimulate the economy.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

Several other factors have also made dealers wonder whether the UK authorities might cut rates again.

First, sterling has been testing the DM2.50 level against the D-Mark in recent days. The UK authorities might take the view that too strong a pound would damage UK export prospects in what are already difficult markets.

Secondly, the Bundesbank indicated last week that it may be set for more aggressive easing of German interest rates than has been seen thus far, enhancing the possibility of *another UK cut.*

Yesterday, the Bundesbank announced that it would hold a two-tranche tender for securities repurchase funds this week.

Few dealers expect the repo rate to come far below last week's level of 7.75 per cent this week and, with call money yesterday trading higher than this, at 7.82 per cent, there is even speculation that the repo rate may rise.

However, as one dealer suggested yesterday, the dollar is performing so weakly against the *D-Mark* on the foreign exchanges that the Bundesbank may take the opportunity to cut rates now, knowing that this will have no consequences for imported inflation.

The bears' case on UK rates is *still relatively* strong, of course. In particular, there are concerns that another rate cut would push Britain's inflation rate outside the limits set by the UK government.

The June short sterling contract was up 4 basis points on the day *at one stage* yesterday, at 93.94, before closing at 93.93. The September contract closed 4 basis points up on the day, at 93.98.

In the cash market, 3-month money closed at $6\frac{1}{16}$ per cent, down $\frac{1}{16}$ per cent on the day. A *small shortage of £450m helped* to ease short-dated rates.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

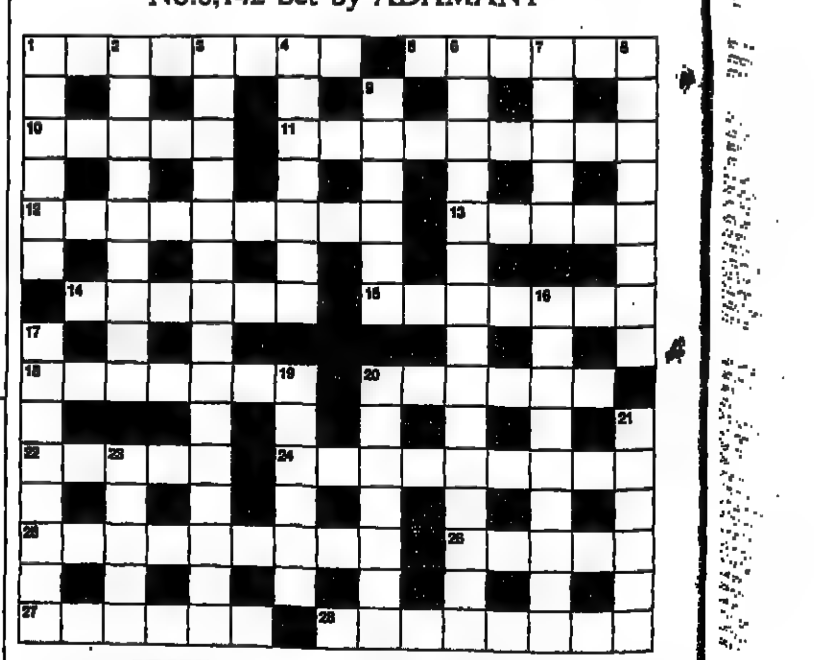
[illegible]

LONDON MONEY RATES

[illegible]

CROSSWORD

No.8,142 Set by ADAMANT



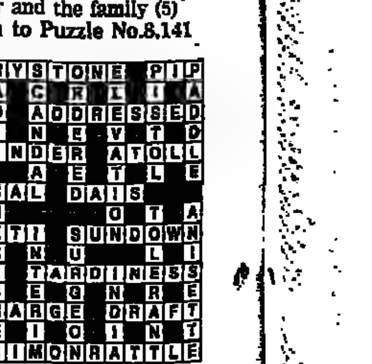
ACROSS

1 Work out what it means for each hotel incorporated after the first of the month (8)
5 The way of subsidiarity in Europe? (6)
10 And the rest go into reverse for the group (5)
11 Plays on (9)
12 In no Tessa scheme is there a feeling of excitement (9)
13 A range of hearing (5)
14 Keep a thousand in the beer mug (6)
15 Goes for less liquidity when writing about fish (7)
18 He throws in a diamond? Fling out the queen! (7)
20 It is never a straight run race (6)
22 Top general accepted an order – that's really funny! (5)
24 Keep having a go at parking the Gaelic minister over on the English (9)
25 But surely it should function when it is "ON"? (3,2,4)
26 Equal time for the race (5)
27 On board ship, listen to the main attackers (6)
28 Pleased to have sufficient coal, it's said (8)

DOWN

1 Finlay, perhaps, works a year on the disease (6)
2 Firm beat gets the man a line on the angle (9)
3 Go for nostalgia at the end of summertime (3,4,3,5)
4 In previous days every Rolls Royce contained a place for the golf ball (7)
6 Place to drink gin around a cellar at very low prices? (7,8)
7 Do our surroundings smell? (5)
8 Where to learn the form after just twenty four hours (3,5)
9 Barnaby Rudge had me up for possessing £25 (6)
16 Folder illustrating detachable table panel (5-4)
17 Put a limit on expenditure over debts that are extensive (8)
19 Gunman (part-time) or a predator (6)
20 He won't work forward (7)
21 Gave loan of one pound to someone who was not without a bean? (6)
23 If a return is accepted by mother and the family (5)

Solution to Puzzle No.8,141



هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

DENMARK

FINLAND

FRANCE

GERMANY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close May 4

MONTREAL

4 pm close May 4

INDICES

	Apr 30	Apr 23	Apr 16	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.01	3.04	2.79
	Apr 28	Apr 21	Apr 14	year ago (approx.)
S & P Industrial div. yield	2.56	2.54	2.52	2.63
S & P Ind. P/E ratio	25.77	25.92	26.09	28.80

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Wal-Mart	4,555,300	26¾	- ½
Merck	3,528,100	35¼	+ 1¼
RJR Nabisco	3,219,900	5½	---
Philip Morris	3,048,600	47½	+ ½
Glaxo	2,632,000	18⅝	+ ⅛
Gen Motors	2,235,400	42⅛	+ 1⅞
Ford Motor	2,217,900	55⅜	+ 1
Telefonos	2,084,600	47⅝	- ½
Baxter Intl	2,062,300	28	+ ½
Eastman Kodak	2,056,100	49½	+ ⅛

TRADING ACTIVITY

† Volume Millions	May 3	Apr 30	Apr 29
New York SE	220.602	230.113	244.783
Amex	15.137	13.851	15.458
NASDAQ	202.331	226.984	204.906
NYSE			
Issues Traded	2,506	2,494	2,493
Rises	1,101	1,210	1,016
Falls	790	671	862
Unchanged	615	613	615
New Highs	78	71	48
New Lows	14	21	33

CANADA TORONTO

	May 3	Apr 30	Apr 29	Apr 28	1993 HIGH	1993 LOW
Metals & Minerals	2901.08	2870.67	2858.38	2854.59	2972.35 (9/2)	2743.31 (21/1)
Composite	3773.47	3789.40	3755.10	3710.30	3789.40 (30/4)	3275.80 (21/1)
MONTREAL Portfolio	1882.52	1893.16	1888.29	1841.92	1893.16 (30/4)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. c Closed. u Unavailable. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD						
M.S. Capital Intl.(1/1/70) $	582.4*	580.1	581.1	[illegible]		
Euro Top-100 (26/6/90)	955.06	954.86	953.13	[illegible]		

**Saturday May 1: Taiwan Weighted Price 4,501.00, Korea Comp Ex. 717.88. ♥ Subject to official recalculation.

Base values of all indices are 100 except Austria Traded, 93.20, HEX Gen., ... 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary ...

TOKYO - Most Active Stocks

Friday April 30 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Oil	22.1m	854	+53	Hitachi	15.6m	867	+42
NEC	19.6m	1,050	+20	Mitsubishi Hvy	14.1m	709	+21
Fujitsu	19.0m	800	+39	Toshiba	13.0m	774	+25
Mitsui Mining	17.5m	565	+9	JAL	12.7m	660	+30
Sumitomo Mt Mn	17.1m	1,080	+20	Nippon Steel	9.4m	414	+17

4 pm close May 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¼	11½	AAR Corp x	0.48	3.7	24	254	13⅛	12⅝	13	+½
27¼	20	A L Labs A	0.18	0.8	35	531	22⅜	21⅞	22⅛	+1
61⅞	54⅝	AMP Inc	1.80	2.6	21	1912	61½	61	61⅛	-⅛
71⅝	55½	AMR			10	2413	68⅞	67⅞	68	-¾
2¼	1¾	ARX			14	33	d2¼	2⅛	2¼	+⅛
48⅛	29⅞	ASA	2.00	4.4	30	1269	45⅜	44⅝	45⅜	+⅜
30¾	22⅝	Abbott Lab	0.68	2.4	18	8762	28½	27¾	27⅞	-¾
12⅝	10¼	Abitibi Pr	0.50	4.1	4	3	12¼	12¼	12⅛	-⅛
11¾	10¾	ACM Gvt In x	0.96	8.3		209	u11¾	11⅝	11⅝	-⅛
9¾	9⅛	ACM GvOpp x	0.79	8.3		177	9½	9⅜	9½	
9⅝	8¾	ACM Gvt Sp x	0.79	8.4		189	9½	9⅜	9⅜	-⅛
11⅜	10½	ACM Gvt Se	0.96	8.5		258	u11⅜	11¼	11¼	-⅛
10⅞	9⅝	ACM Mun x	1.08	9.9		142	u10⅞	10¾	10⅞	+⅛
9⅜	8⅝	ACM Mangd x	0.72	7.9		229	9⅛	9	9⅛	+⅛
9¾	7¾	Acme Cleve	0.40	4.1	12	356	u9⅞	9¾	9¾	+⅛
9¼	6½	Acme Elect			787	55	8	7⅝	7⅞	-⅛
18	12	Acuson			12	871	13	12¾	13	+⅜
22¼	19⅝	Adams Expr	0.48	2.3	1	102	21	20⅞	20⅞	-⅜
66	45½	Ad Micro	3.00	4.9		242	61½	59½	61½	+1¼
32¾	17⅝	Ad Micro P	3.00	9.9	13	9185	30¼	29	30¼	+¾
7¾	5½	Advest Grp	0.16	2.5	11	63	6⅝	6½	6½	
49⅜	41⅛	Aegon ADR	2.95	6.4	6	176	46	45¾	46	+⅜
53¾	43⅜	Aetna Lf x	2.76	5.2	169	1910	53⅜	53	53	+⅜
14½	11½	Ahl A	0.26	2.1	29	789	12¾	12¼	12⅝	+⅜
39¾	33	Aflac	0.50	1.3	17	1126	38⅞	38¼	38½	+¼
22⅛	17⅛	Ahmanson	0.88	4.8	15	1776	18¾	18	18¼	+⅛
7¾	4⅝	Aileen Inc			18	50	5¼	5⅛	5¼	
48½	40⅜	Air Pr Chm	0.86	1.9	17	1448	44⅞	44⅛	44⅛	-⅛
24¼	18½	Airbrne Frt x	0.30	1.4	87	449	21¾	21½	21¾	+.43
26½	18¼	Airgas Inc			32	163	23⅛	22⅞	23¼	+⅛
14¼	10½	Airlease	1.60	11.5	11	84	13⅞	13½	13⅞	+⅜
105	101	AlaPw8.16	8.16	8.0		5	104	104	102½	
105½	102½	Alab 8.28C	8.28	7.9		2	103½	103½	104¾	
18	15⅝	Alaska Air	0.20	1.2	2	186	17¼	16½	16¾	-⅛
16⅞	14¼	Albany Int	0.35	2.1	120	95	u16⅞	16¾	16⅞	
28¾	23½	AlCulvr B	0.26	1.0	18	127	25⅞	25	25¾	+¾
25¼	21⅞	AlCulvr A	0.26	1.1	17	109	23¼	23	23	-⅛
57⅞	46¾	Albertsons x	0.72	1.3	26	865	55¾	55¼	55¼	-⅛
19¾	16⅞	Alcan Alum	0.30	1.6	30	1255	18½	18¼	18¼	-¼
48½	35¾	Alco Stand	0.96	2.0	19	1021	47½	47¼	47¼	
24⅝	19⅝	AlexBrown x	0.50	2.4	5	171	21⅛	21	21	
28⅞	24	Alexr Alex	1.00	3.9	23	149	25⅞	25½	25⅝	-¼
44¾	34	Allegh Lud	0.88	2.0	25	1374	44¼	43⅛	44	+⅞
53½	46⅞	Allegh Pow	3.24	6.1	14	427	52⅞	52⅛	52⅞	+½
36⅜	29	Allen Gp x	1.75	5.1		7	34⅜	34	34⅜	+1
35⅞	25⅞	Allen Con	0.24	0.7	21	748	34⅜	33⅞	34⅜	+1
26⅜	21¼	Allergan	0.40	1.6	15	776	25¼	24⅝	24⅝	-¼
23¼	16¾	Allnce Cap	1.36	6.9	14	339	20¼	19¼	19⅝	-⅞
10¼	9⅜	Allnce Gl	0.18	1.9		68	9¾	9⅝	9⅝	
24⅜	16¾	Alld Irish	0.92	3.9	14	61	23¾	23¼	23¾	
70½	57½	Alld Sig	1.16	1.8	15	3083	65⅛	64	64½	-½
11⅜	9⅞	AlstMunTr	0.78	6.9		156	u11⅜	11⅛	11¼	
8⅞	7½	AlstIncOp	0.63	7.3		401	8¾	8½	8⅝	
10½	8⅛	AlstMninc	0.72	7.7		139	9⅝	9⅜	9⅜	
10¼	8⅞	AlstMninc	0.60	5.9		21	10⅛	10	10⅛	
53½	45¾	Alltel Crp	1.60	3.1	20	915	52¾	52	52¼	+⅛
7⅛	5⅜	Allwaste			17	547	5⅞	5⅝	5⅞	+¼
78⅞	59	Alcoa x	1.60	2.5	208	3512	65⅜	64⅝	64⅝	-⅛
47½	25¼	Alza Cp A			30	3048	29⅝	28⅞	29¼	-⅜
12¼	10⅞	AmGovInc x	0.96	8.2		204	11⅞	11⅝	11¾	+⅛
8	6⅝	Am Precs	0.24	3.4	23	32	7	6⅞	7	+⅛
19¾	16	Amax	0.40	2.5	6	2071	16⅝	16¼	16¼	-⅜
9⅞	7½	Amax Gold	0.08	1.1	120	6516	7½	d6⅞	7¼	-¼
20⅞	15½	Amcast Ind	0.48	2.4	13	64	19¾	19⅜	19¾	+⅜
56¼	43¾	Amerada Hs	0.60	1.1	129	2704	54½	54	54⅛	+¼
10¼	9⅜	Am Adj R x	0.53	5.4		79	9⅞	d9¾	9⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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- F -

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- G -

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- H -

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- I -

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- J -

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- K -

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- M -

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- N -

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- O -

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- P - Q -

[illegible]

- R -

[illegible]

Continued on next page

4 pm close May 4

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22	15½	S Anita Rt	1.36	7.9	25	364	17¾	17	17⅛	-⅝
20¾	17	SCOR US Cp	0.22	1.7	47	5	18¾	18¾	18⅞	
28¾	20	SPS Techno	1.28	4.8	19	58	26⅝	25¾	26⅝	+⅞
14½	12⅞	Sabine Rt	2.08	14.7	10	139	14¼	14⅛	14¼	+⅛
13⅛	8⅞	Safecard	0.10	0.8	15	207	12⅛	11⅝	11⅞	
23½	17	Safeg'd Sc			9	88	19⅛	18⅝	19	+½
24¾	16¼	SafetyKln	0.36	2.1	23	1423	17¼	16⅝	16⅞	+⅜
15½	10⅞	Safeway			18	2205	u15½	14⅞	15	-½
3¼	2	SafewayW96				161	u3¼	3⅛	3⅛	
44½	37½	StJoePaper	0.20	0.5	77	60	40	39½	39¾	+¼
37⅝	31	StJosL&P x	1.76	4.9	16	14	36¼	36	36¼	
89¼	75	St Paul's	2.80	3.5	12	393	80⅝	80	80⅛	-⅝
9⅝	7⅞	Salant Crp			4	24	8¾	8½	8¾	+⅛
75¼	42½	Sallie Mae	1.20	2.6	10	3907	47¼	46½	46⅝	-⅝
13⅞	13	Salomon Br x	0.36	2.7		253	13½	13⅜	13⅜	-⅛
41⅞	34⅞	Salomoninc	0.64	1.8	18	2771	36¼	35¾	36	-¼
26⅞	23¼	SanDgo G&E	1.48	5.6	14	418	26½	26⅛	26½	+⅛
4⅞	3½	SantaFeEDu	0.40	10.3	43	101	3⅞	3¾	3⅞	
11⅞	9⅛	SantaFeERs	0.16	1.4	112	882	11¼	11	11⅛	
40¼	35¾	SantaFePac	2.80	7.4	13	25	38⅛	37⅝	37⅞	-⅛
18⅜	12¾	SantaFeSth	0.10	0.6	18	7452	16⅛	15⅞	16⅛	+⅛
31⅛	23⅞	Sara Lee	0.58	2.3	19	5589	25½	24⅞	25⅜	
46½	40⅛	Scana Corp	2.74	5.9	15	219	u46¾	46¼	46¾	+⅜
49⅝	43	Seacorp	2.80	5.8	14	2957	48½	47⅞	48½	+¾
38⅞	23⅞	ScharerRP			28	449	29⅞	28½	28⅝	-¼
68½	51¾	SchergPl x	1.80	2.7	17	4991	67⅝	65⅝	66⅞	-⅞
66	55⅞	Sch'berger	1.20	1.9	24	3278	65¼	63¾	64⅛	-½
38	24⅞	Schwab(C) x	0.30	0.9	14	664	33½	32½	32⅞	+¼
7¾	5⅝	Schwitzer			34	27	6½	6⅜	6½	
30⅝	17¼	SciantAtl	0.12	0.5	41	3621	26¾	25	26⅛	+⅛

[illegible]

- X - Y - Z -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
88⅝	73½	Xerox	3.00	3.9	20	1726	78⅝	78⅛	78⅜	-⅛
55½	51½	Xerox4.125	4.13	7.6		2	54	54	54⅛	-⅜
100⅝	92½	Xtra Corp	0.96	1.0	20	8412	95½	86	92¾	-6⅝
33¼	29⅝	Yankee Egy	1.66	5.0	13	21	33	32¾	33	+⅛
1¾	⅝	Zapata			125	48	u1¾	1⅝	1⅝	
8⅝	5⅞	ZenithElec			1	812	8¾	8½	8¾	+⅛
29¼	19⅝	Zenith Nat x	1.00	3.7	26	402	27	26¾	26¾	-⅛
7⅝	6½	Zenix Inc	0.82	10.9		119	u7⅝	7⅜	7½	
15	12¾	Zero Corp	0.40	2.9	19	190	13⅞	13⅝	13¾	+⅛
40⅝	35¼	Zero Ind	0.86	2.3	40	102	37⅝	37½	37½	-⅛
13¾	12⅝	Zweig Fund	1.12	8.8		255	12⅝	12¾	12¾	
10⅝	9⅞	Zweig Totl	0.96	9.5		1114	10⅛	10	10⅛	

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close May 4

[illegible]

NASDAQ NATIONAL MARKET

4 pm close May 4

[illegible]

AMERICA

OTC issues up on demand for cable TV

Wall Street

US equity markets were in mixed form yesterday, with blue-chip stocks little changed but over-the-counter issues up sharply amid heavy demand for cable television shares, *writes Patrick Harverson in New York.*

At 1 pm the Dow Jones Industrial Average was up 1.89 at 3,448.35. The more broadly based Standard & Poor's 500 was 1.51 firmer at 443.97, while the Amex composite was up 2.05 at 424.26, and the Nasdaq composite up 9.59 at 676.30. Trading volume on the NYSE was 156m shares by 1 pm, and rises outnumbered declines by almost two to one.

The latest set of economic data failed to move the markets, although once again the news was not good, with the leading economic indicators down 1.0 per cent in March. The decline was bigger than forecast, and was the largest monthly drop in almost two and a half years.

As on Monday, the equity markets were propped up by a rally in the bond market that was triggered by bad economic news.

Investors remain worried, however, that lower bond yields are the only thing supporting stock prices. If yields were to reverse course, the equity markets could face a substantial sell-off, especially if the economic news continues to deteriorate.

Among individual stocks, cable television companies were in demand on hopes that new regulations due to be imposed on the industry by the government will turn out to be less onerous than originally feared.

On the NYSE, the biggest beneficiary was Time Warner, up $2¾ at $35⅝ in volume of 1.8m shares, while on the American Stock Exchange Cablevision jumped $4½ to $33¾.

OTC cable television stocks, traded on the Nasdaq market, were also up sharply. Comcast rose $1⅞ to $20⅝, TCI firmed $1⅞ to $20⅞, and TCA Cable climbed $2 to $22¾.

The "E" class stock of General Motors, which represent the car group's Electronic Data Systems subsidiary, fell $1¾ to $30¼ in volume of 1.6m shares on the news that the company's talks with UK telecommunications group BT about a possible business alliance had broken down.

Readers' Digest plunged $5⅛, or more than 11 per cent, to $41⅝ in heavy trading after the company announced disappointing first quarter earnings. Morgan Stanley, the securities house, followed the news by downgrading its rating on the stock from a "buy" to a "hold".

On the Nasdaq, Intel rose $3¼ to $100½ in volume of 2m shares and Microsoft climbed $1⅞ to $87¼ in volume of almost 1m shares after the two companies unveiled a new phone standard for personal computers.

Canada

TORONTO gave up early gains as precious metals shares reversed direction and began to tumble. The TSE 300 lost 6.73 to 3,766.74 by midday in turnover of C$278.30m.

Pegasus Gold dropped C$⅞ to C$32 while American Barrick was C$½ lower at C$26⅝. Placer Dome fell C$⅜ to C$20⅝ in brisk dealings.

In the high-technology sector, Newbridge Networks rose C$2¼ to a high of C$81¼ in moderate dealings.

SOUTH AFRICA

GOLD shares retreated a little, although there was some late interest as the bullion price improved. The index lost 17 at 1,488 as industrials eased 2 to 4,385. The overall index moved up 3 to 3,780. De Beers added R1.55 at R81.75.

EUROPE

Mixed performances from Continental bourses

THERE were some mixed performances among bourses yesterday, *writes Our Markets Staff.*

PARIS weakened in low turnover, the CAC-40 index losing 13.34 to 1,923.63, off the day's high of 1,943 and a low of 1,914. Turnover was just FFr1.7bn.

Hoare Govett, in its latest strategy document, comments that after a strong first quarter the market has now entered a period of consolidation. "Economic fundamentals and corporate results still have the capacity to disappoint, while the prospect of privatisations worth FFr30bn to FFr40bn by the end of the year, as well as a number of cash calls, is likely to weigh heavily on the market," the brokers comment. "In the short term we expect trading to remain volatile, but the immediate risks suggest that it is unlikely to be able to convincingly regain its levels of the end of the first quarter."

Peugeot slipped FFr6 to FFr544 as it reported a 17 per cent decline in new car sales for April, while Euro Disney eradicated all of Monday's gains, down FFr2.75 at FFr73.10.

FRANKFURT fell back from a day's high of 1,636 with the DAX index closing down 1.79 at 1,627.37 in turnover of DM5.3bn.

During the session a Bundesbank council member said that he favoured more rapid cuts in short-term interest rates to help economic recovery. However, a contrary view came from the Federation of German Banks which said that faster, deeper rate cuts would not automatically lead to recovery.

Car stocks were mixed with Volkswagen gaining DM2.50 to DM325.50 and Daimler losing DM3.00 to DM574.50. Volkswagen has been one of the best performing DAX stocks in the first four months of 1993, according to data supplied by Merck Finck, showing a 33 per cent gain, while Daimler recorded a less impressive 7 per cent rise.

In a recent report on the car sector Bank Julius Bär, notes that Daimler will face a drastic decline in results in 1993; but with cost reduction measures and the introduction of the new compact class from this summer, a turnaround can be expected in 1994-1995.

AMSTERDAM was slightly easier ahead of today's results from Philips, off 30 cents at Fl 25.30. The CBS Tendency index closed down 0.4 at 107.2.

Goldman Sachs has a positive view of Philips given its reduction in net debt, management changes, and significant job cuts, primarily in consumer electronics. The brokers estimate an eps of Fl 1.00 for 1993 and Fl 3.00 for 1994. They forecast a first quarter loss of 30 cents per share relative to year-ago earnings of 53 cents.

MILAN maintained its firmer trend amid optimism that the political situation was stabilising although trading was restrained ahead of tomorrow's parliamentary confidence vote on the government's programme. The Comit index added 7.41 or 1.38 per cent to 546.03.

Blue chips and telecommunications stocks that are widely held outside Italy were at the centre of buying attention.

Stet, the state telecommunications holding company, rose L25 to L2,660 in the wake of Monday's announcement that 1992 consolidated net profit rose 0.8 per cent. Sip rose L7 to L1,948 in heavy volume of more than 11m shares on the telematic trading system.

Among industrial blue chips, Fiat rose L75 to L6,850 and Montedison added L26 to L1,229.

In the financial sector, Ras added L211 to L26,053 as the insurer said net profit fell 53 per cent in 1992 as a result of extraordinary charges.

ZURICH was higher, helped by a firmer chemicals sector and renewed interest in Nestlé. The SMI index rose 7.2 to 1,260.

Nestlé returned to favour, having been neglected for some time. The bearer and registered stocks each rose SFr15 to SFr1,100 and SFr1,090 respectively, ahead of next week's annual news conference.

Ciba-Geigy, continuing to gain support from brokers' recommendations, rose SFr6 to SFr610. Holderbank bearers dipped SFr2 to SFr628 after it left the 1992 dividend unchanged.

BRUSSELS fell back, the Bel-20 index finishing down 7.93 at 1,181.59 in turnover of some BFr1.2bn. Petrofina fell for the fourth consecutive day, down BFr160 at BFr8,220.

COPENHAGEN gained 2.4 per cent in fairly sizeable trading due to foreign buying and a dearth of sellers. The KFX index rose 2.02 to 86.79.

The KFX June future, indicating the market view of medium-term prospects, rose 1.85 to 90.35 with interest centred on the shipping and banking sectors.

STOCKHOLM advanced in heavy trading led by gains in Ericsson and Astra. The Affärsvärlden index rose 9.2 to 1041.4 in turnover of SKr1.13m from Monday's SKr635m.

An SKr11 advance to SKr687 by Astra's B shares was attributed to rising prices for pharmaceuticals issues in New York. LM Ericsson's B shares rose SKr13 to an all-time high of SKr284, boosted by news and rumors of major orders. Expectations of a strong first-quarter earnings report next week also played a part.

OSLO fell sharply on disappointing results. The All-share index dropped 7.07 or 1.5 per cent to 475.65 in turnover of NKr490m.

ISTANBUL fell nearly 3 per cent as investors took profits after recent strong gains. The index closed down 224.57 at 7,580.74.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

May 4 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1153.56	1153.43	1152.49	1151.07	1149.72	1148.70	1148.18	1148.16
FT-SE Eurotrack 200	1213.73	1211.72	1212.41	1210.65	1210.18	1208.28	1207.32	1207.82

	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26
FT-SE Eurotrack 100	1144.33	1143.23	1154.98	1149.08	1152.81
FT-SE Eurotrack 200	1206.79	1199.62	1212.69	1213.85	1218.66

Base value 1000 (26/10/90) High/day: 100 - 1153.78; 200 - 1214.08 Low/day: 100 - 1147.10 200 - 1207.08.

ASIA PACIFIC

Bangkok, Manila feature in Pacific Rim region

PHILIPPINE shares remained at all-time highs, although many markets were lower elsewhere. Tokyo remained closed for the Golden Week holiday.

MANILA continued in record territory, with the market taking its lead from PLDT's overnight gain on Wall Street. The composite index touched an all-time intraday peak of 1,645.76 in late dealing before easing to end 21.06 up at a record 1,636.52.

A surge in foreign buying and falling interest rates have sparked the boom, with investors convinced that strong economic growth will fuel a fresh bull run.

The index has climbed 299 points, or 18.27 per cent, since February 1.

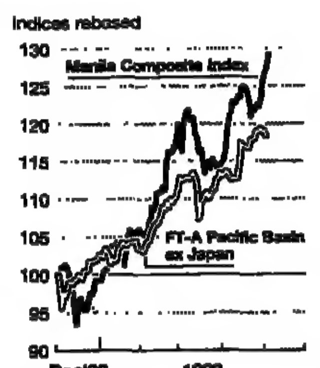
BANGKOK plunged across the board, led by losses in finance and bank shares as investors were unnerved by a deputy minister's comment over the weekend that a minister, identified only as "Mr T", might be involved in share price manipulation.

The SET index fell 17.19, or 2 per cent, to 828.10 in thin turnover of Bt2.76bn.

HONG KONG saw waves of selected bargain hunting emerge in the afternoon, reversing an early easier trend. The Hang Seng index closed 37.18 higher at 6,827.29 in turnover of HK$3.5bn, after Monday's HK$3.2bn.

The rebound was mainly due to active bargain hunting in Cheung Kong and Hutchison Whampoa on rumours that Chinese companies were active buyers. The shares rose 40 cents each to HK$26.50 and HK$19.60 respectively.

NEW ZEALAND lost a hefty 1.9 per cent in large volume amid rumoured changes to the Morgan Stanley Capital International index and some suspected overseas programme-linked selling. The NZSE-40 index shed 30.23 to 1,564.12.



Source: Datastream

Falls were seen across a wide front. Among the recently favoured forestry stocks, Carter Holt Harvey relinquished 12 cents to NZ$2.90 and Fletcher Challenge weakened 14 cents to NZ$2.60.

TAIWAN came in for late profit-taking which left the market lower after sluggish trade. The weighted index, which opened slightly ahead, finished a net 25.62 down at 4,448.18 in thin turnover of T$25.5bn.

Financials were strong in early trade after some banks reported good April profit figures, but investors soon sold to take quick profits.

AUSTRALIA edged slightly lower after the release of worse than expected data showing a March current account deficit of A$2.1bn, seasonally adjusted, after A$861m in February.

The All Ordinaries index ended 0.2 off at 1,664.3 in light turnover of A$240.9m.

COLOMBO continued its downward trend, although analysts noted that the market had been declining even before the assassination of President Ranasinghe Premadasa on Saturday. The all-share index finished 3.16 easier at 532.60 in turnover that rose to Rp13.9m from Monday's Rp12.4m.

KUALA LUMPUR saw big losses in several blue chip stocks help to drag the composite index down 11.29, or 1.6 per cent, to 706.08. A rumour about the health of Prime Minister Mahathir Mohamad depressed sentiment.

Telekom fell 70 cents to M$14.70, Genting shed 30 cents to M$15.90 and Leader lost 40 cents to M$18.60.

SINGAPORE fell broadly on continuous profit-taking in blue chips, but brokers welcomed the correction, saying it was much needed. The Straits Times Industrial index slipped 14.26 to 1,776.64. Foreign shares of national carrier SIA closed 30 cents cheaper at S$9.20.

Acma Industries, under profit-taking pressure after the highs seen following a major Russian supply deal, has recovered in the last two days. It rose 20 cents to S$6.35.

SEOUL closed slightly firmer in mixed trade after profit-taking jostled with a mild rebound in blue chip manufacturers and some financial shares. The composite index put on 1.24 at 719.83 .

News that South Korea's trade deficit in April eased to $94m from a $470m shortfall a year earlier boosted steel and semiconductor exporters.

JAKARTA was little changed after selective profit-taking in slow trade. The official index firmed 0.22 to 313.91 after Monday's slight decline.

Jakarta International Hotel moved forward Rp150 to Rp8,200 on news of a $250m hotel project in a joint venture with Conrad Hotels, a subsidiary of Hilton Hotels.

Germany drifts lower ahead of strike call

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-1.84	-1.00	-17.33	-0.65	-2.16	+1.38
Belgium	-2.17	-4.54	+2.58	+9.47	+7.58	+11.48
Denmark	-0.12	+2.23	-10.66	+12.03	+11.07	+15.10
Finland	+7.37	+14.81	+50.39	+45.62	+34.93	+39.84
France	+0.81	-2.58	-3.18	+6.51	+6.09	+9.94
Germany	-2.13	-1.74	-7.42	+6.70	+5.01	+8.81
Ireland	-0.21	+1.80	+5.49	+27.06	+15.77	+19.97
Italy	-0.36	+13.29	+13.67	+23.95	+18.05	+22.33
Netherlands	-2.27	-2.29	+3.17	+8.38	+6.56	+10.44
Norway	+4.45	+4.58	-4.84	+15.48	+14.71	+18.88
Spain	-0.87	+2.74	-0.17	+14.61	+8.99	+12.95
Sweden	-0.35	+1.38	+14.83	+7.58	+0.23	+3.87
Switzerland	-1.18	-2.33	+12.76	+3.93	+2.48	+6.19
UK	-0.87	-1.40	+7.16	+0.32	+0.32	+3.96
EUROPE	-0.65	-0.82	+3.29	+5.25	+3.92	+7.69
Australia	-1.85	-1.21	-2.10	+6.94	+6.04	+9.89
Hong Kong	+1.94	+7.52	+23.30	+24.17	+19.99	+24.35
Japan	+5.74	+5.68	+24.30	+23.40	+33.64	+38.49
Malaysia	+3.24	+11.74	+37.10	+20.81	+18.76	+23.07
New Zealand	+0.13	+3.46	+8.30	+7.18	+9.19	+13.15
Singapore	+2.73	+6.27	+11.02	+12.33	+10.10	+14.11
Canada	+3.28	+5.12	+7.24	+10.48	+6.69	+10.57
USA	+0.71	-0.29	+6.28	+0.89	-2.64	+0.89
Mexico	-7.28	-7.91	-9.51	-9.39	-12.49	-9.31
South Africa	+4.67	+5.93	+7.36	+18.42	+21.39	+25.80
WORLD INDEX	+1.86	+1.66	+10.29	+8.88	+9.10	+13.07

† Based on April 30, 1993. Copyright, The Financial Times Limited, Goldman Sachs & Co, and NatWest Securities Limited.

By John Pitt

Among European markets last week there was little reaction to a further easing in interest rates. In fact, Germany drifted lower, with the prospect of a strike by members of IG Metall, the engineering union, which began this Monday, undermining sentiment.

However, another strong performance from Finland, counterbalancing an equally poor showing from Mexico, and a year's high in Tokyo, helped to lift the FT-Actuaries World index nearly 2 per cent.

Signs of an economic downturn in continental Europe, and particularly Germany, have been evident for some time, with analysts becoming increasingly bearish.

Goldman Sachs, in its latest strategy document, commenting on Germany, expects the economy to deteriorate further in the second quarter. "We feel that the bulk of the market's anticipated strength for 1993 has been seen in the first quarter and that the second and third quarters will be indifferent at best."

At Barclays de Zoete Wedd the view is echoed, while noting that 1994 may show a revival, "as provisions drop out, the lagged effect of easing shews through and the stronger dollar helps overseas earners . . . but this does not make 1994 immune from further downgrades, due to either cyclical problems or structural overcapacity effects".

The situation in France is scarcely better, with Nikko Europe commenting: "There is every sign that GDP growth in the first quarter will be negative which, given a 0.6 per cent fall in the fourth quarter of 1992, indicates that the country is entering recession."

Mexico tumbled as doubts persisted over whether or not the Nafta agreement, which would phase out most trade barriers between the US, Canada and Mexico from January 1994, would be approved by the US. This was followed by disappointing results from Telmex, the largest private company in Mexico, which prompted selling in New York.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 3 1993								FRIDAY APRIL 30 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	136.21	-0.9	129.29	95.44	112.07	128.26	-0.9	3.85	137.50	129.92	96.69	113.52	129.40	144.19	117.39	150.48
Austria (18)	141.37	-0.5	134.19	99.06	116.31	116.41	-0.2	1.78	142.10	134.28	99.93	117.32	116.63	150.96	131.16	162.48
Belgium (42)	147.85	-0.5	140.33	103.59	121.64	118.72	-0.7	4.77	148.53	140.35	104.44	122.62	119.59	156.76	131.19	138.23
Canada (110)	127.48	-0.3	121.00	89.32	104.87	117.02	-0.5	2.84	127.86	120.82	89.91	105.56	117.63	127.86	111.41	127.29
Denmark (33)	217.93	+1.7	206.85	152.70	179.30	180.32	+1.3	1.26	214.23	202.43	150.65	176.86	177.95	217.93	185.11	233.27
Finland (23)	95.84	-1.5	90.97	67.15	78.85	109.79	-1.3	1.12	97.34	91.98	68.45	80.36	111.27	97.34	65.50	78.55
France (98)	162.22	+0.3	153.97	113.65	133.45	135.73	-0.1	3.31	161.81	152.90	113.78	133.58	135.85	167.36	142.72	162.39
Germany (62)	113.66	+0.4	107.88	79.65	93.51	93.51	+0.0	2.28	113.21	106.98	79.62	93.47	93.47	117.10	101.59	117.96
Hong Kong (55)	273.59	-0.7	259.68	191.69	225.10	271.46	-0.7	3.41	275.51	260.33	193.74	227.47	273.44	277.23	218.82	233.09
Ireland (15)	162.46	-0.3	154.20	113.83	133.66	148.69	-0.7	3.68	162.90	153.93	114.56	134.49	149.78	170.40	129.28	163.30
Italy (73)	69.42	+3.4	65.89	48.64	57.11	76.39	+2.1	2.58	67.12	63.43	47.20	55.41	74.84	70.44	53.78	70.08
Japan (470)	145.99	+0.4	138.57	102.29	120.13	102.29	+0.0	0.82	145.46	137.45	102.29	120.11	102.29	145.99	100.75	97.76
Malaysia (69)	324.36	+0.8	307.87	227.26	266.86	320.24	+0.6	2.11	321.79	304.07	226.28	265.66	318.20	324.36	251.66	242.90
Mexico (18)	1486.07	-0.6	1410.52	1041.24	1222.65	5148.15	+1.1	1.32	1494.56	1412.24	1051.01	1233.90	5083.39	1725.81	1410.30	1652.87
Netherland (24)	168.38	+0.7	159.82	117.98	138.54	136.56	+0.3	4.05	167.20	157.99	117.58	138.04	136.22	172.75	150.39	157.32
New Zealand (13)	47.80	-1.5	45.37	33.49	39.32	46.88	-1.3	4.66	48.53	45.86	34.13	40.07	47.49	49.32	40.56	44.35
Norway (22)	164.92	+0.7	156.53	115.56	135.69	149.88	+0.4	1.76	163.71	154.69	115.13	135.16	149.32	164.92	137.71	183.83
Singapore (38)	243.60	+0.1	231.22	170.69	200.42	181.19	+0.0	1.85	243.46	230.05	171.21	201.00	181.19	243.60	207.04	220.09
South Africa (60)	185.47	-0.4	176.04	129.95	152.59	186.27	+0.1	2.69	186.31	176.04	131.01	153.81	186.09	187.42	144.72	233.75
Spain (45)	132.23	+0.4	125.51	92.65	108.79	115.83	-0.1	5.21	131.71	124.45	92.62	108.73	115.99	132.82	115.23	148.93
Sweden (36)	171.21	-0.4	162.51	119.97	140.87	185.84	-0.3	1.81	171.97	162.50	120.94	141.98	186.48	174.66	149.70	187.20
Switzerland (55)	121.41	+1.2	115.23	85.07	99.90	107.71	+0.9	2.02	120.01	113.40	84.40	99.10	106.70	121.72	108.91	102.67
United Kingdom (218)	178.39	-0.4	169.32	124.98	146.76	169.32	+0.0	4.06	179.19	169.32	126.00	147.93	169.32	181.99	162.00	190.51
USA (519)	180.60	+0.5	171.42	126.55	148.60	180.60	+0.5	2.83	179.68	169.79	126.36	148.35	179.68	186.27	175.38	169.92
Europe (764)	146.78	+0.2	139.32	102.84	120.77	131.61	+0.2	3.39	146.47	138.41	103.01	120.93	131.41	149.02	133.92	150.22
Nordic (114)	163.91	+0.0	155.57	114.85	134.85	155.76	+0.0	1.80	163.85	154.83	115.23	135.28	155.77	165.12	142.13	175.74
Pacific Basin (713)	149.32	+0.3	141.73	104.63	122.86	108.22	-0.1	1.10	148.93	140.73	104.73	122.96	108.29	149.32	105.69	104.24
Euro-Pacific (1477)	148.16	+0.2	140.63	103.80	121.89	118.44	+0.0	2.03	147.81	139.67	103.93	122.02	118.41	148.16	117.26	122.83
North America (629)	177.29	+0.5	168.28	124.24	145.89	176.27	+0.5	2.83	176.45	166.73	124.10	145.70	175.45	182.38	171.51	167.25
Europe Ex. UK (546)	127.13	+0.7	120.67	89.09	104.62	110.33	+0.3	2.94	126.30	119.34	88.84	104.30	110.04	128.65	112.51	126.24
Pacific Ex. Japan (243)	182.53	-0.5	173.25	127.91	150.19	166.39	-0.5	3.26	183.48	173.36	129.04	151.48	167.27	184.84	152.70	168.10
World Ex. US (1665)	148.63	+0.2	141.07	104.15	122.29	120.41	+0.0	2.05	148.32	140.15	104.31	122.48	120.39	148.63	118.51	125.21
World Ex. UK (1966)	156.42	+0.4	148.48	109.60	128.70	135.94	+0.2	2.17	155.78	147.20	109.56	128.63	135.62	158.42	134.22	134.52
World Ex. So. Af. (2124)	158.28	+0.3	150.23	110.91	130.23	138.60	+0.2	2.34	157.76	149.07	110.95	130.26	138.31	158.28	137.29	138.73
World Ex. Japan (1714)	166.77	+0.3	158.29	116.86	137.23	159.13	+0.3	3.03	166.26	157.10	116.93	137.29	158.65	168.09	157.47	162.56
The World Index (2184)	158.35	+0.3	150.30	110.96	130.29	139.03	+0.2	2.35	157.84	149.15	111.00	130.32	138.74	158.35	137.32	139.35

Amendments to indices for 3/5/93 applied to Ireland and related regional indices. Constituent changes with effect 5/5/93: Deletion: Jelmoli (Bearer 500). Additions: Jelmoli (Bearer 50) and Jelmoli (Registered 10). Latest prices were unavailable for this edition. Markets closed 3/5/93: Japan and U.K. .